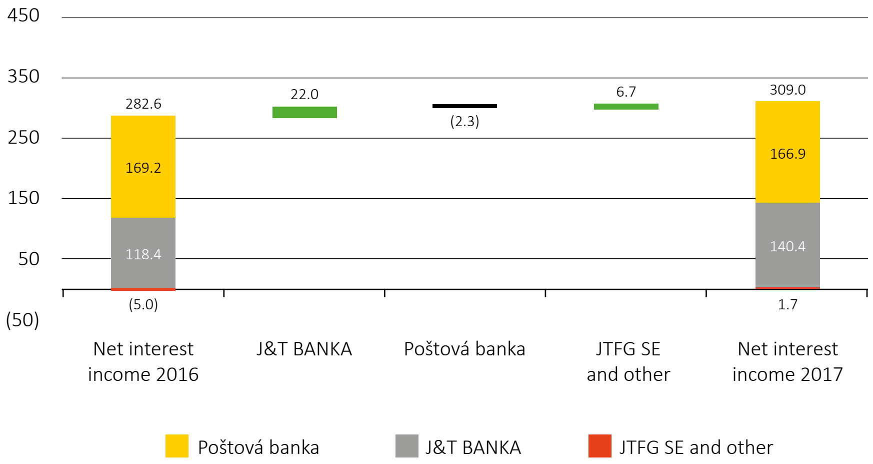
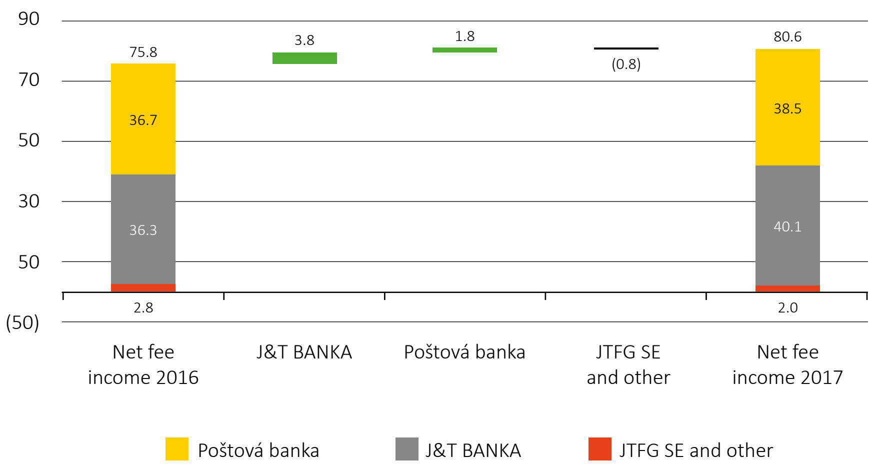
Annual report 2017

J&T FINANCE GROUP

Net interest income (mil. EUR)
2017 vs 2016



Net fee income (mil. EUR)
2017 vs 2016



Board of Directors' Report

Message from the Board of Directors

Year 2017 turned out to be the most successful year for J&T FINANCE GROUP SE ("JTFG", "the Group") in its history as far as net profit is concerned and JTFG is proud to present the historically highest achieved profit of EUR 137.5 million. The Group was able to seize the opportunities in the challenging market conditions, especially by taking the advantage of the steady low interest rates on the market of presence as well as of the termination of interventions to the CZK/EUR exchange rate by the Czech National Bank ("CNB").

The Group was trying to keep up with current trends and closely listen to needs of our clients. In 2017, Poštová banka introduced a new strategy of repositioning which targets on new active customers. The repositioning included an introduction of new products and services and focus on digitalization. New mobile application, launch of a new online bank, a new concept of family branches or an introduction of the Useful mortgage loan are just a few to be mentioned. J&T BANKA expanded its reach to small and medium-sized enterprise ("SME") clients by strengthening the corporate banking teams in Prague, Brno, Ostrava and Bratislava. J&T BANKA also extended its product portfolio with leasing services provided through J&T Leasingová společnost. At the end of the lapsed year, we established a new Czech subsidiary J&T Mezzanine, a.s. in order to broaden our portfolio of mezzanine and equity financing.

Besides our record profit, we are proud to announce that J&T BANKA was awarded by Fincentrum as the best private bank of the Czech Republic for 2017 and J&T Bond was awarded as the best fund of the year by Fincentrum & Forbes. We can also proudly report, that Náš prvý realitný real estate fund managed by Prvá penzijná správcovská spoločnost, which is still by far the largest retail fund in Slovakia, won the award for best selling real estate fund in Slovakia for 2017.

Besides focusing on the Czech and Slovak market, we utilized the opportunities on other markets the Group's operates in as well. In Croatia, VABA d.d. banka Varaždin changed its name to J&T Banka d.d. in order to have a stronger link with the J&T brand and transformed itself from a retail to a private bank. In Russia, we expanded our loan porftolio through the successfull acquisition and integration of a Moscow based AKB Khovanskiy bank. We want to continue to monitor other markets in orded to find new opportunities for us and our clients.

In the end, we would like to express our sincere gratitude to all who have contributed to the Group's success, prosperity and stability – our shareholders, business partners and employees but first of all to our clients who keep us driving to future achievements.

Financial operations report

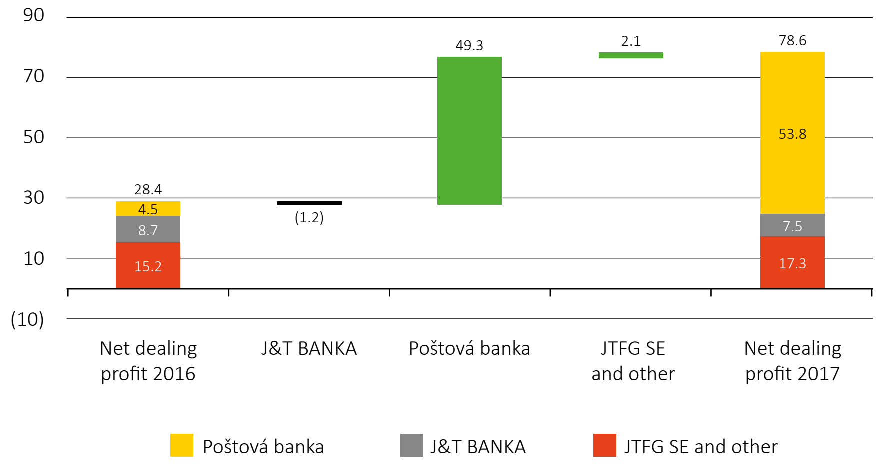
The Group achieved a consolidated profit of EUR 137.5 million in 2017. This represents an increase by EUR 75.7 million (or 122.5%) compared to 2016. The key drivers which influenced this significant growth were net interest income and exchange rate gains resulting from the termination of interventions to the CZK/EUR exchange rate by the CNB and the appreciation of the Czech crown.

Net interest income grew by EUR 26.4 million to EUR 309 million compared to EUR 282.6 million in 2016. Interest income decreased by EUR 18.6 million from EUR 423.7 million in 2016 to EUR 405.1 million in 2017 due to continuous pressure on interest rates. This was however offset by lower interest expenses which decreased by EUR 45 million to EUR 96.1 million as a result of optimalization of the volume of deposits and the decrease of deposit interest rates.

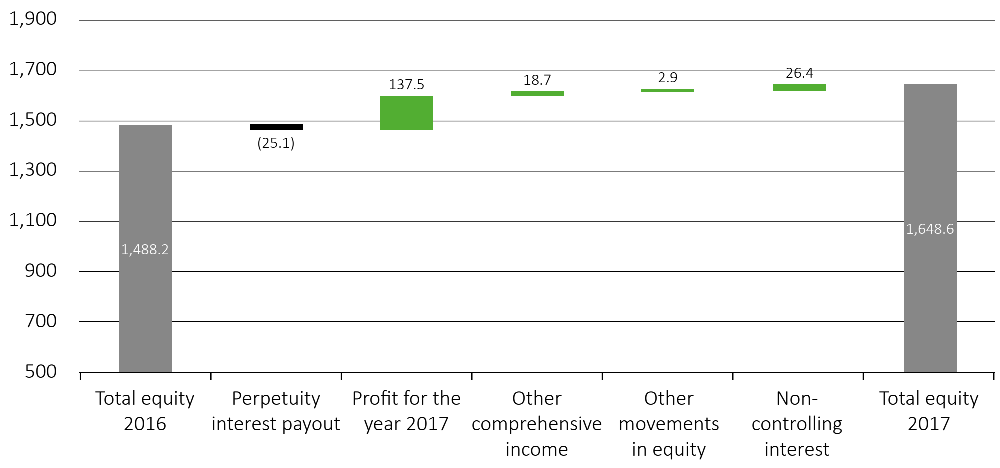
Net fee income of the Group increased by EUR 4.8 million. The growth is fully attributable to fee and commission income (increase by EUR 6.5 million) which was partially offset by increased fee and commission expenses (increase by EUR 1.8 million) resulting in a net fee income of EUR 80.6 million compared to EUR 75.8 million in 2016. The key driver for the fee income was asset management income which increased by EUR 6.2 million compared to prior year.

Net dealing profit had a significant impact on the achieved profit of the Group. Net dealing profit of the Group was EUR 78.6 million and increased by EUR 50.2 million compared to 2016 with FX gains of the Poštová banka group having the largest positive impact on the dealing result.

Net dealing profit (mil. EUR)
2017 vs 2016



Total equity development (mil. EUR)
2017 vs 2016



The growth in other operating income was driven by two minor one-off transactions which took place in 2017. Firstly, J&T Bank AO acquired a Moscow based bank – AKB Khovanskiy at a discount to fair value of its assets which result into a recognition of a gain on a bargain purchase of EUR 3.1 million. Secondly, J&T BANKA sold its shareholding in the Russian joint venture with Profireal group – "Profireal OOO" leading to a gain of EUR 6.8 million.

Operating expenses increased by EUR 14.3 million from EUR 321.6 million in 2016 to EUR 335.9 million in 2017. The main drivers were personal expenses which increased by EUR 9.6 million and other operating expenses which increased by EUR 11.8 million, both partially offset by EUR 4.7 million decrease in impairment losses on provided loans and EUR 2.2 million decrease of impairment to property, plant, equipment and intangible assets.

The equity of the Group at the end of 2017 amounted to EUR 1,648.6 million. This represents an increase by 160.4 million compared to 2016. The increase was driven by EUR 137.5 million of net profit, additional other comprehensive income of EUR 18.7 million, increase in non-controlling interest by EUR 26.4 million and distributions of interest from unsecured subordinated certificates from other capital funds resulting in a decrease of EUR 25.1 million. Other non-significant transactions with impact on the Group's equity represent EUR 2.9 million.

Deposits from customers decreased by EUR 289.2 million from 7,476.9 million in 2016 to EUR 7,187.7 million in 2017. The decrease is attributable primarily to J&T BANKA group with a decrease of EUR 251.4 million. Deposits and loans from banks were as of the year-end 2017 influenced by the REPO transactions in amount of EUR 804.4 million. Excluding REPO transactions, deposits from banks increased by EUR 36.9 million compared to 2016 and amounted to EUR 130.1 million.

The amount of loans and advances to customers decreased slightly to EUR 5,611.1 million in 2017 compared to EUR 5,657.5 million in 2016, representing a decrease of EUR 46.4 million. J&T BANKA group decreased the amount of provided loans by EUR 130.5 million, while Poštová banka group managed to increase its loan portfolio by EUR 89.9 million compared to prior year. Loans and advances to banks were significantly influenced by reverse REPO transactions with central banks of EUR 2,232.5 million. Overall the loans and advances to banks increased by EUR 1,155.8 million compared to 2016.

Results and events of J&T BANKA group

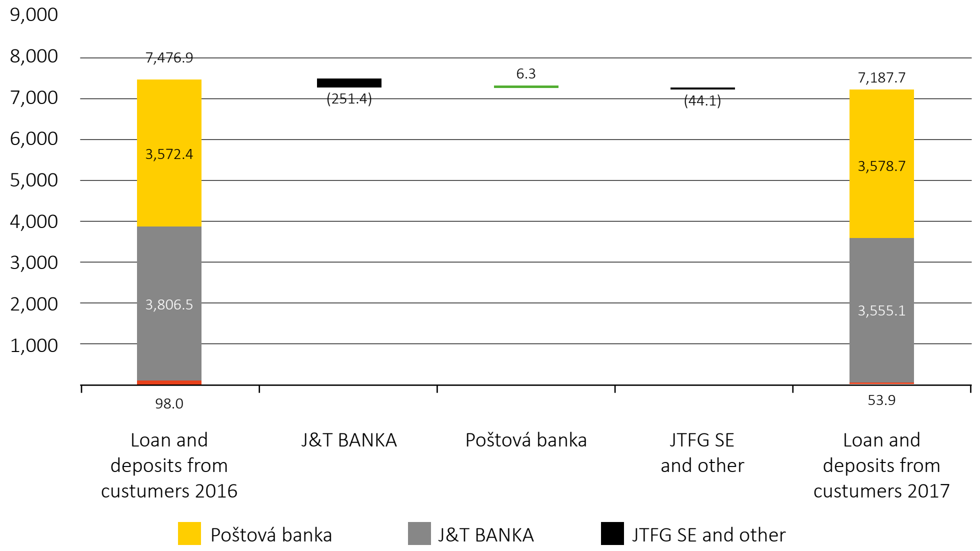
J&T BANKA group achieved a consolidated profit of EUR 83.4 million, which represents an increase by EUR 47.2 million compared to prior year profit of EUR 36.2 million, with total assets of EUR 4,836.3 million. The profit was driven by higher net interest income (EUR 19.2 million), trading income (EUR 14.5 million) and lower impairment of loans (EUR 10.6 million). The total equity of J&T BANKA group increased by EUR 13.6 million to EUR 762.6 million (mainly as the result of the current year profit, paid out return on perpetuity certificates and paid-out dividend to JTFG SE) and the total capital adequacy ratio of J&T BANKA increased from 17.75% in 2016 to 18.45% in 2017.

The increase of EUR 19.2 million in net interest income was achieved mainly by the decrease in total volume of deposits from customers (EUR 444.4 million decrease compared to 2016) which resulted into a lower interest expense of EUR 50 million compared to EUR 83.5 million in 2016. The positive impact was partially offset by lower interest income (also a result of decrease in loans provided to customers by EUR 275.3 million) of EUR 191.5 million compared to EUR 205.8 million in 2016.

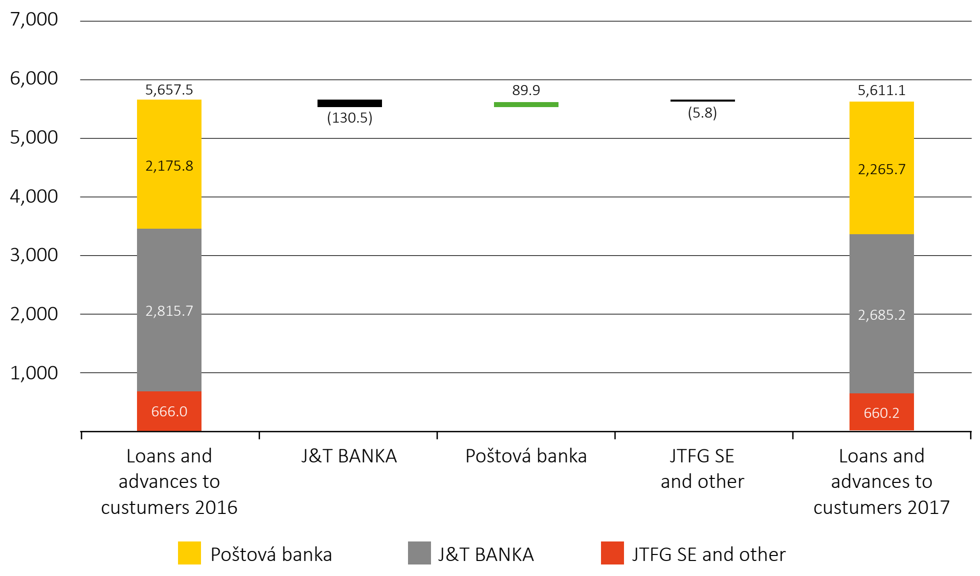
Net fee income slightly improved by EUR 3.8 million from EUR 39.4 million in 2016 to EUR 43.2 million in 2017. Transactions with securities and derivatives represent the majority of the net fee income and have improved by EUR 4.4 million year on year. Most of the income is attributable to fees for new bond emissions and promissory note programs. The bank issued seven new bond emissions in 2017 in the total volume of EUR 624 million. The bank managed to attract EUR 256 million of new client investments into funds managed by J&T INVESTIČNÍ SPOLEČNOST which was also caused by the decline in the interest rates on deposits offered by J&T BANKA.

Balance sheet figures of J&T Banka group were recalculated from CZK to EUR using the Czech National Bank exchange rate as at 31 December 2017 of 25.54 CZK/EUR and income statement figures were recalculated by the average rate for 2017 of 26.330 CZK/EUR.

Deposits and loan from custumers (mil. EUR)
2017 vs 2016



Loans and advances to custumers (mil. EUR)
2017 vs 2016



Operating expenses slightly increased (by EUR 2.9 million), but the J&T BANKA group managed to decrease its consolidated cost-to-income ratio from 47.8% in 2016 to 40.8% in 2017 being below the Czech market average. The significant increase in operating income was not followed by an increase in expenses, thus improving the ratio.

During 2017, J&T BANKA group continued to improve the quality of its loan portfolio and managed to decrease its risk costs related to non-performing loans by EUR 10.6 million from EUR 39.6 million in 2016 to EUR 29 million in 2017.

Results and events of Poštová banka group

Poštová banka group managed to finish the year 2017 with a consolidated net profit of EUR 47.9 million, just EUR 0.7 million less compared to 2016. During 2017, Poštová banka continuted to focus on retail banking which helped to drive the total assets of Poštová banka group to EUR 4,339.8 million in 2017 from EUR 4,261.5 million in 2016.

Similarly to J&T Banka group, Poštová banka group managed to decrease its interest expense by EUR 11.8 million. Despite this improvement, the net interest income decreased by EUR 4.4 million, as interest income decreased by EUR 16.2 million year on year. This was mainly due to income from debt securities which fell down compared to 2016 by EUR 8.1 million.

Poštová banka group managed to compensate the shortfall in interest income by the higher net trading result which was driven by exchange rate gains. Most of the gains resulted from funds denominated in Czech crowns after the termination of interventions to the CZK/EUR exchange rate.

Operating expenses increased significantly compared to 2016 by EUR 14.6 million. Most of the additional costs relate to the general rebranding and remodeling of Poštová banka and implementation of new technologies in the group. Main drivers were marketing costs, new premises and personnel assigned to new product lines.

Besides trading profits, Poštová banka group further managed to decrease its risk costs due to improved credit quality of its loan portfolio by EUR 6.9 million to EUR 43.8 million (compared to EUR 50.7 million in 2016).
2017 was also successful for PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ which achieved a profit of EUR 6.9 million representing an increase by EUR 1.2 million. Total assets under management in funds managed by PPSS were 1,139.5 million. Poštová poisťovna increased its performance and achieved a historic profit of EUR 2.5 million, up by EUR 0.5 million from 2016.

Where are we heading

We intend to continue in step by step development of individual segments and activies of the Group. Currently, we do not plan with any significant acquisitions or disposals and we rather focus on a gradual improvement of services offered by existing Group companies. As in the previous years, the strategy of the Group is built around its key subsidiaries- J&T BANKA,and Poštová banka.

J&T BANKA

J&T BANKA is the leading private bank on the Czech and Slovak markets. It strives to provide highest quality services and investment opportunities for its clients. The bank has succeeded to attract more investments into investment funds as well as through placement of new bond emissions. Total assets managed by investment funds under J&T INVESTIČNÍ SPOLEČNOST, a. s. have grown by 43% (EUR 260 million) in 2017 and the bank placed on the market seven bond emissions in total value exceeding EUR 624 million.

The plan for 2018 is to prepare a new information system model aiming to improve an understanding of clients' needs and to enable structuring of clients' portfolios accordingly. The bank will also introduce new investment advisory services and advisory for asset and life insurance to facilitate its clients a better understanding of the market opportunities and to provide a complex view on clients' assets.
The bank plans to increase its reach to Central and Eastern European countries through its subsidiaries in Croatia and Russia that provide further opportunities for the Group's growth. In Croatia, J&T BANKA d.d. (renamed from VABA d.d. banka Varaždin) has been transformed

into a predominantly corporate bank and expands its corporate banking portfolio mainly into tourism and leisure. In Russia, J&T BANK AO has acquired the local Khovanskiy bank to broaden its reach and scale on the Russian market.

Poštová banka

Poštová banka continued with its transformation into a new, modern look with full implementation of a new corporate identity including logos, branch network and communication channels. All of these changes aim at better addressing the needs of its retail clients who demand a more flexible and dynamic relationship with their bank. Besides its retail portfolio, Poštová banka was also active in the field of SME clients and introduced a range of deposit and loan products for this segment together with building a new infrastructure in order to service them.

The key focus of Poštová banka for the year 2018 lies in digitalisation, innovations, cross-selling and building of a strong brand which will provide a complex experience for all types of clients including retail, Micros, SME and Corporate.

Entry of CEFC into JTFG

In March 2018, CEFC has withdrawn its applications for the capital increase in JTFG from CNB. In May 2018 Rainbow Wisdom Investment Limited, a member of the CITIC Group, took over the shareholding of CEFC in JTFG. JTFG and CITIC Group will engage in negotiations about further and deeper cooperation between both groups.

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Independent Auditor’s Report to the Shareholders of J&T FINANCE GROUP SE

This document is an unsigned English translation of the Czech auditor’s report. Only the Czech version of the report is legally binding.

Opinion

We have audited the accompanying consolidated financial statements of J&T FINANCE GROUP SE (“the Company”), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the consolidated annual report other than the consolidated financial statements and our auditor’s report. The statutory body is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

– the other information describing matters that are also presented in the consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
– the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Statutory Body, Supervisory Board and Audit Committee for the Consolidated Financial Statements
The statutory body is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and Audit Committee are responsible for the oversight of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
– Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statutory Auditor Responsible for the Engagement
Vladimír Dvořáček is the statutory auditor responsible for the audit of the consolidated financial statements of J&T FINANCE GROUP SE as at 31 December 2017, based on which this independent auditor's report has been prepared.

Prague
28 May 2018

KPMG Česká republika Audit, s.r.o.
Registration number 71

Vladimír Dvořáček
Partner
Registration number 2332

Consolidated income statement for the year ended 31 December 2017

In thousands of EUR	Note	2017	2016
Interest income	6	405,054	423,678
Interest expense	6	(96,097)	(141,107)
Net interest income		**308,957**	**282,571**
Fee and commission income	7	115,437	108,908
Fee and commission expense	7	(34,822)	(33,063)
Net fee and commission income		**80,615**	**75,845**
Net dealing profit	8	78,640	28,474
Total revenues		**468,212**	**386,890**
Gain on a bargain purchase	5.1	3,197	–
Other operating income	9	38,391	32,914
Total income		**509,800**	**419,804**
Personnel expenses	10	(100,572)	(90,960)
Depreciation and amortisation	27, 28	(28,263)	(28,363)
Goodwill impairment	27	(5)	–
Impairment of property, plant and equipment and intangible assets	27, 28	(280)	(2,536)
Net impairment losses on loans	22	(84,563)	(89,308)
Other operating expenses	11	(122,168)	(110,415)
Total expenses		**(335,851)**	**(321,582)**
Profit from operations		**173,949**	**98,222**
Loss from equity accounted investees		(661)	(1,844)
Profit before tax		**173,288**	**96,378**
Income tax expense	12	(35,778)	(34,549)
Profit for the period		**137,510**	**61,829**
Attributable to:			
Equity holders of the parent		136,170	62,701
Non-controlling interests		1,340	(872)
Profit for the period		**137,510**	**61,829**

The notes presented on page 26 to page 113 form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2017

In thousands of EUR	2017	2016
Profit for the period	**137,510**	**61,829**
OTHER COMPREHENSIVE INCOME – ITEMS THAT ARE OR MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		
Foreign exchange translation differences	16,190	22,910
Net change in fair value of financial assets available for sale	2,513	(8,572)
Share of other comprehensive income of equity accounted investees	30	130
Other comprehensive income for the period, net of tax	**18,733**	**14,468**
Total comprehensive income for the period	**156,243**	**76,297**
Attributable to:		
Equity holders of the parent	152,501	77,155
Non-controlling interests	3,742	(858)
Total comprehensive income for the period	**156,243**	**76,297**

The notes presented on page 26 to page 113 form an integral part of the consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors on 28th May 2018.

Signed on behalf of the Board of Directors:

Dušan Palcr
Vice-chairman of the Board of Directors
J&T FINANCE GROUP SE

Gabriela Lachoutová
Member of the Board of Directors
J&T FINANCE GROUP SE

Consolidated statement of financial position as at 31 December 2017

In thousands of EUR	Note	2017	2016
ASSETS			
Cash and cash balances at central banks	13	560,766	1,232,940
Financial assets for trading	14	268,763	184,717
Hedging derivatives	15	317	3
Investment securities measured at fair value through profit or loss	16	10,877	4,525
Investment securities available for sale	17	1,021,178	1,277,400
Investment securities held to maturity	18	305,388	405,372
Disposal group held for sale	19	17,078	8,145
Loans and advances to banks	20	2,396,824	906,402
Loans and advances to customers	21, 22	5,611,146	5,657,515
Trade receivables and other assets	24	176,282	179,783
Current tax assets		4,399	4,870
Investments in equity accounted investees	25	399	1,024
Investment property	26	149,194	7,656
Intangible assets	27	129,211	132,246
Property, plant and equipment	28	139,245	43,951
Deferred tax assets	35	9,213	5,477
Total assets		**10,800,280**	**10,052,026**
LIABILITIES			
Trading liabilities	14	26,878	10,156
Hedging derivatives	15	3,738	5,406
Deposits and loans from banks	29	934,519	93,152
Deposits and loans from customers	30	7,187,678	7,476,864
Debt securities issued	31	543,925	596,774
Subordinated debt	32	57,967	56,402
Other liabilities	33	357,776	284,630
Current tax liability		5,099	5,934
Provisions	34	22,812	23,564
Deferred tax liabilities	35	11,268	10,909
Total liabilities		**9,151,660**	**8,563,791**
EQUITY			
Share capital		574,138	574,138
Share premium		93,577	93,577
Retained earnings and other reserves		907,683	777,391
Equity attributable to equity holders of the parent	**36**	**1,575,398**	**1,445,106**
Non-controlling interests	37	73,222	43,129
Total equity		**1,648,620**	**1,488,235**
Total equity and liabilities		**10,800,280**	**10,052,026**

The notes presented on page 26 to page 113 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2017

In thousands of EUR	Note	Share capital	Share premium
Balance at 1 January 2017		**574,138**	**93,577**
Profit for the period		–	–
Other comprehensive income for the period, net of tax- items that are or may be reclassified subsequently to profit or loss		–	–
Foreign exchange translation differences		–	–
Net change in fair value of financial assets available for sale		–	–
Share of other comprehensive income of equity accounted investees		–	–
Total comprehensive income for the period		**–**	**–**
Distribution to shareholders			
Dividends		–	–
Acquisition and establishment of subsidiaries with non-controlling interests		–	–
Change in non-controlling interests without a change in control	37	–	–
Total transaction with owners of the Company, recognised directly in equity		**–**	**–**
Effect of disposals of subsidiaries	5.2	–	–
Distributions related to other capital instruments	36	–	–
Transfer to legal reserve fund	36	–	–
Balance at 31 December 2017		**574,138**	**93,577**

See Note 36. Shareholders' equity and Note 37. Non-controlling interests.

Non-distributable reserves	Translation reserve	Other reserves and funds	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
23,472	**(49,441)**	**307,961**	**495,399**	**1,445,106**	**43,129**	**1,488,235**
–	–	–	136,170	136,170	1,340	137,510
–	13,815	2,516	–	16,331	2,402	18,733
–	13,785	–	–	13,785	2,405	16,190
–	–	2,516	–	2,516	(3)	2,513
–	30	–	–	30	–	30
–	**13,815**	**2,516**	**136,170**	**152,501**	**3,742**	**156,243**
–	–	–	–	–	(553)	(553)
–	(310)	–	–	310	7,692	8,002
(56)	975	–	621	1,540	19,224	20,764
(56)	**1,285**	**–**	**621**	**1,850**	**26,363**	**28,213**
–	1,084	–	–	1,084	(12)	1,072
–	–	–	(25,143)	(25,143)	–	(25,143)
5,089	–	51	(5,140)	–	–	–
28,505	**(33,257)**	**310,528**	**601,907**	**1,575,398**	**73,222**	**1,648,620**

Consolidated statement of changes in equity for the year ended 31 December 2016

In thousands of EUR	Note	Share capital	Share premium
Balance at 1 January 2016		**646,584**	**93,577**
Profit for the period		–	–
Other comprehensive income for the period, net of tax- items that are or may be reclassified subsequently to profit or loss		–	–
Foreign exchange translation differences		–	–
Net change in fair value of financial assets available for sale		–	–
Share of other comprehensive income of equity accounted investees		–	–
Total comprehensive income for the period		**–**	**–**
Distribution to shareholders		(72,446)	–
Dividends		–	–
Withholding tax on dividends		–	–
Change in non-controlling interests without a change in control	37	–	–
Total transaction with owners of the Company, recognised directly in equity		**(72,446)**	**–**
Effect of disposals of subsidiaries	5.2	–	–
Issue of other capital instruments	36	–	–
Distributions related to other capital instruments	36	–	–
Transfer to legal reserve fund	36	–	–
Balance at 31 December 2016		**574,138**	**93,577**

The notes presented on page 26 to page 113 form an integral part of the consolidated financial statements.

Non-distributable reserves	Translation reserve	Other reserves and funds	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
18,215	**(72,455)**	**97,465**	**460,250**	**1,243,636**	**42,099**	**1,285,735**
–	–	–	62,701	62,701	(872)	61,829
–	23,032	(8,578)	–	14,454	14	14,468
–	22,902	–	–	22,902	8	22,910
–	–	(8,578)	–	(8,578)	6	(8,572)
–	130	–	–	130	–	130
–	**23,032**	**(8,578)**	**62,701**	**77,155**	**(858)**	**76,297**
–	–	–	(4,419)	(76,865)	–	(76,865)
–	–	–	–	–	(853)	(853)
–	–	–	(315)	(315)	–	(315)
(624)	292	(1,521)	(183)	(2,036)	3,164	1,128
(624)	**292**	**(1,521)**	**(4,917)**	**(79,216)**	**2,311**	**(76,905)**
–	(310)	–	–	(310)	(423)	(733)
–	–	220,595	–	220,595	–	220,595
–	–	–	(16,754)	(16,754)	–	(16,754)
5,881			(5,881)	–	–	–
23,472	**(49,441)**	**307,961**	**495,399**	**1,445,106**	**43,129**	**1,488,235**

Consolidated statement of cash flows for the year ended 31 December 2017

In thousands of EUR	Note	2017	2016
OPERATING ACTIVITIES			
Profit before tax		**173,288**	**96,378**
Adjustments for:			
Depreciation and amortisation	27, 28	28,263	28,363
Impairment losses of property, plant and equipment, intangible assets	27, 28	280	2,536
(Gain) from revaluation from gold bar		–	(149)
(Gain) / Loss on disposal of property, plant and equipment and intangible assets and investment property		184	(283)
Amortisation of deferred acquisition costs for insurance and clients' contracts		1,797	2,006
(Profit) / loss on disposal of subsidiaries and non-controlling interests	9, 11	–	(477)
(Profit) on disposal of investment securities available for sale		(10,903)	(26,327)
Net interest income	6	(308,957)	(282,571)
Dividends income	8	(5,426)	(10,965)
Increase in allowance for impairment of loans	22	84,563	89,308
Change in impairment of trade receivables and other assets	11	14,026	4,956
(Profit) / loss from equity accounted investees		661	1,844
Changes in provisions	34	(228)	12,566
(Gain) on a bargain purchase, goodwill impairment	5.1, 27	(3,192)	–
Unrealised foreign exchange (gains) / losses, net		(9,345)	15,575
Operating loss before changes in working capital		**(34,989)**	**(67,240)**
(Increase) / decrease in operating assets			
Change in financial assets for trading		(79,454)	(50,169)
Change in hedging derivative assets		(308)	1,337
Change in investment securities at fair value through profit or loss		(6,771)	(367)
Change in loans and advances to customers and banks		16,291	(333,203)
Change in trade receivables and other assets		12,443	8,370
Increase / (decrease) in operating liabilities			
Change in trading liabilities		16,038	(4,339)
Change in hedging derivative liabilities		(1,677)	5,064
Change in deposits and loans from banks and customers		444,788	(778,871)
Change in other liabilities		55,131	15,746
Cash generated from (used in) operations		**421,492**	**(1,203,672)**
Interest received		386,606	398,609
Interest paid		(99,488)	(141,657)
Income taxes paid		(36,569)	(29,128)
Cash flows generated from (used in) operating activities		**672,041**	**(975,848)**

In thousands of EUR	Note	2017	2016
INVESTING ACTIVITIES			
Purchase of financial instruments in available for sale portfolio		(285,095)	(358,133)
Proceeds from sale of financial instruments in available for sale portfolio		349,026	581,446
Purchase of financial instruments in held to maturity portfolio		(5,916)	(387,221)
Proceeds from financial instruments in held to maturity portfolio		100,316	489,994
Acquisition of property, plant and equipment, investment property and intangible assets		(26,392)	(19,254)
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		2,360	995
Acquisition of subsidiaries, net of cash acquired	5.1	(689)	–
Net cash (outflow) inflow from disposal of subsidiaries	5.2	(123)	2,131
Dividends received		2,643	11,420
Cash flows generated from investing activities		**136,130**	**321,378**
FINANCING ACTIVITIES			
Distribution to shareholders		–	(1,125)
Proceeds from issued debt securities	31	161,241	204,239
Payments for buy-back of issued debt securities	31	(229,459)	(126,215)
Acquisition of non-controlling interests	37	22,000	1,128
Disposal of non-controlling interests		(1,236)	–
Subordinated debt issued	32	3	698
Subordinated debt paid	32	(76)	(74,274)
Payment for finance lease		(27)	(40)
Issue of other capital instruments		–	220,595
Bonus payments from other capital instruments		(25,143)	(16,754)
Dividends paid		(553)	(1,167)
Cash flows generated from / (used in) financing activities		**(73,250)**	**207,085**
Net decrease/increase in cash and cash equivalents		**734,921**	**(447,385)**
Cash and cash equivalents at beginning of the year	**13**	**2,133,003**	**2,560,650**
Effect of exchange rate fluctuations on cash held		87,261	19,738
Cash and cash equivalents at end of the year	**13**	**2,955,185**	**2,133,003**

The notes presented on page 26 to page 113 form an integral part of the consolidated financial statements.

Due to the change of the balance sheet layout (for more details refer to Note 3 (z)), amounts in the cash flow statement were adjusted accordingly.

Notes to the consolidated financial statements for the year ended 31 December 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

J&T FINANCE GROUP SE (the "Parent Company" or "the Company") is a European joint-stock company (Societas Europaea) having its legal seat and domicile at Pobřežní 297/14, 186 00 Praha 8.

The consolidated financial statements of the Company for the year ended 31 December 2017 comprise the Parent Company, its subsidiaries and interests in associates and joint ventures (together referred to as "the Group"). A list of the Group entities is provided in Note 46. Group entities.

The shareholders of the Company as at 31 December 2017 and 31 December 2016 were as follows:

	Interest in share capital In thousands of EUR	**Interest in share capital** %	**Voting rights (registered)** In million of CZK	**Voting rights (registered)** %
Ing. Jozef Tkáč	258,649	45.05	7,109	45.05
Ing. Ivan Jakabovič	258,649	45.05	7,109	45.05
CEFC Shanghai International Group Limited	31,004	5.4	852	5.4
CEFC Hainan International Holdings CO., Ltd	25,836	4.5	711	4.5
Total	**574,138**	**100.0**	**15,780**	**100.0**

In March 2016 the shareholders of the Group entered into several agreements with CEFC, with the original aim of CEFC to acquire a 50% share in the Group. The transaction was subject to regulatory approval both in China and countries where the Group operates. In March 2018, the application for regulatory approval was withdrawn by CEFC and the purchase of an additional share in the Group was abandoned.

The Group, as a financial investor, actively takes positions in a diversified range of investment opportunities including investments in banks, investments in securities and structured investments, such as special project financing, acquisitions financing, restructuring and private equity funds. The Group also provides a comprehensive range of services to private individuals, financial institutions, privately-held and state companies, such as retail banking, credit cards, wholesale banking, investment banking, wealth management and investment management services. Investment banking services are represented by the areas of research, sales and trading, equity capital markets and debt capital markets. Asset management primarily consists of asset management in own funds, discretionary portfolio management services, as well as administration and custody. In the area of collective investment, client resources are managed through various types of investment funds representing a variety of investment approaches and strategies.

The members of the Board of Directors were as at 31 December 2017 and 31 December 2016 as follows:
Ing. Jozef Tkáč – chairman
Ing. Ivan Jakabovič – vice chairman
Ing. Patrik Tkáč – vice chairman
Ing. Dušan Palcr – vice chairman
Ing. Gabriela Lachoutová – member

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union ("EU").

The consolidated financial statements were approved by the Board of Directors on 28th May 2018.

(b) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for investment property, derivative financial instruments, financial assets and liabilities at fair value through profit or loss and investment securities available for sale, which are at fair value.

The consolidated financial statements are presented in Euro, rounded to the nearest thousand. The accounting policies have been consistently applied by the Group enterprises and are consistent with those used in the previous year.

Financial statements prepared in compliance with International Financial Reporting Standards require various judgements, assumptions, and estimates to be exercised that affect the reported amounts of assets, liabilities, income and expenses. Actual results will likely differ from these estimates. Critical accounting estimates and judgements made by management with a significant risk of material adjustment in the next year are discussed in Note 4. Critical accounting estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods, if the revision affects both current and future periods.

The following standards, amendments to standards and interpretations are effective for the first time for the year ended 31 December 2017, and have been applied in preparing the Group's consolidated financial statements.

– Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017). The amendments mainly clarify that unrealized losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences. Furthermore, the carrying amount of an asset does not limit the estimation of probable future profits.
– Amendments to IAS 7: Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017). These amendments to IAS 7 Statement of Cash Flows require a disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

These amendments did not have any material impact on the Group's consolidated financial statements.

Issued and effective International Financial Reporting Standards

A number of new standards, amendments to standards and interpretations were adopted by the EU for annual reports beginning after 1 January 2018 and later:
– IFRS 9: Financial Instruments (effective for annual reports beginning on or after 1 January 2018; to be applied retrospectively) originally issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes new requirements for the classification and measurement of financial liabilities and for derecognition and amendments from November 2013 include new hedge accounting model. The final version of the standard was issued in July 2014.

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard replaces the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of the "other" business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit and loss. Financial assets that are held for collection of contractual cash flows, where the SPPI test criteria are met, are measured at amortized cost. Financial assets that are held both for collection of contractual cash flows and for selling the assets, where the assets'cash flows represent solely payment of principal and interest are measured at FVOCI.

The vast majority of the loan portfolio meets conditions of the above SPPI test and will thus be classified as AC, i.e. it will be recognized practically unchanged from the current reporting under IAS 39.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.Financial assets acquired for trading purposes and measured at FVTPL remain classified as business model "Trading" and measured at FVTPL.

Financial assets available for sale under IAS 39 were analysed in detail and debt instruments that passed SPPI test and also shares will be classified and measured as FVOCI under IFRS 9. Most allotment certificates will be reclassified to business model FVTPL mandatorily as according to IFRS 9 do not meet relevant criteria for classification as FVOCI.

Impairment – Financial assets and contract assets

IFRS 9 replaces the incurred loss model in IAS 39 with a forward looking expected credit loss (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

For the purposes of preparing the ECL model, the portfolio of financial assets is divided into segments. Within each segment, financial assets are classified into three stages (Stage I- III) or into a group of financial assets that are impaired as at the date of initial recognition – purchased or originated credit impaired assets (POCI). As at the date of initial recognition, financial assets are classified either into Stage I or POCI. Subsequent reclassification into further stages is carried out according to the definition of an increase in credit risk (Stage II) or impairment of the relevant asset (Stage III) since its initial recognition as at the reporting date.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

– 12-month ECLs. These are ECLs that result from possible default events within 12 months after the reporting date; and

– Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

A significant increase in credit risk ("SICR") represents a significant increase in the default risk of the financial asset at the reporting date comparing to the risk at initial recognition.

SICR is determined based on the requirements of IFRS 9. These requirements are based on the assumption that credit risk increases significantly before the financial asset is overdue or other delay indicators (eg restructuring) are observed. The Group shall assess at each reporting date, whether the credit risk associated with the financial asset has increased significantly or not since initial recognition.

Assessing SICRs for a financial asset from initial recognition is based on all reasonable and demonstrable information available without incurring unreasonable costs or effort.

Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:
- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group's preliminary assessment did not indicate any material impact if IFRS 9's requirements regarding the classification of financial liabilities were applied at 31 December 2017.

Hedge accounting

When an entity first applies IFRS 9, it may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9. The Group decided to apply the hedge accounting requirements of IAS 39.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below. On the other hand, as further described in section 3 (z), the Group slightly changed the structure of its financial statements as at 31 December 2017 to better correspond with the expected form of financial statements in 2018.
- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognised in retained earnings and reserves as at 1 January 2018.
- The following assessments were made on the basis of the facts and circumstances that existed at the date of initial application, as described in subsection “Classification” above:
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL. The designation of certain investments in equity instruments not held for trading as at FVOCI.

Impact quantification

Based on the expected loss calculation models, the Group quantified the impact of the change from IAS 39 to IFRS 9 to a total amount of EUR 69,997 thousand. The impact consists of the effect of of ECL for loans at AC in the amount of EUR 57,307 thousand, off-balance sheet positions of EUR 9,143 thousand and debt instruments at FVOCI of EUR 3,548 thousand.

The difference in business model classification affected the classification of the allotment certificates. Those classified as available for sale under IAS 39 were reclassified to the model FVTPL. The cumulative revaluation difference of EUR 16,975 thousand (excluding deferred tax) was transferred to retained earnings as at 1 January 2018.

Regulatory impact

At the end of 2017, the European Parliament and the European Council issued Regulation (EU) 2017/2395 amending Regulation (EU) 575/2013 as regard transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds, risk-weighted exposure and other regulatory items, integrating the CRR with Article 473 "Introduction of IFRS 9". As a result of applying IFRS 9 from 1 January 2018, Banks may experience a significant increase in expected credit loss provisions, resulting in a sudden fall in the CET 1 component of regulatory capital. The new Article allows Banks to re-introduce in their CET 1 a decreasing quota of the impact of IFRS 9 in a five year transitional period between 2018 and 2022. J&T Finance Group will calculate their expected credit loss provisions in the period between from 1 January 2018 to 31 December 2022 in accordance with Art. 473a, para. 2 of the aforementioned Regulation. During this transitional period, part of the loss arising from the IFRS 9 first impact will be recovered in the CET 1 capital of the J&T Finance Group and multiplied by the relevant factor for each year (0.95- 2018, 0.85- 2019, 0.7- 2020, 0, 5- year 2021; 0.25- year 2022). At the same time, J&T Finance Group will, for a transitional period of five years, recalculate specific credit risk adjustments by calculating the scaling factor under Article 473a 7b., leading to an increase in the risk-weighted exposure amounts.

- IFRS 15 – Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively). The new standard substitutes all revenue standards including IAS 18 Revenue and IAS 11 Construction Contracts. The objective of the revenue standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and the timing of recognition. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customer at an amount that the entity expects to be entitled to in exchange for those goods and services. Entities will follow a five-step approach to apply the standard:
  - identify the contract(s) with the customer;
  - identify the separate performance obligations in the contract;
  - determine the transaction price;
  - allocate the transaction price to separate performance obligations;
  - recognize revenue when (or as) each performance obligation is satisfied.

Revenue from a transaction or event that does not arise from a contract with a customer is not within the scope of the revenue standard and should continue to be accounted for in accordance with other standards.

The Group applied IFRS 15 for annual period beginning on 1 January 2018 and it did not have any material impact on the Group.

- IFRS 16: Leases (effective for annual periods beginning on or after 1 January 2019). This standard specifies how an IFRS reporter will recognise, measure and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term in 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS´s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019.
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018).

- Clarifications to IFRS 15: Revenue from Contract with Customers (effective for annual periods beginning on or after 1 January 2018) including amendments to IFRS 15.

Issued but not yet effective International Financial Reporting Standards

A number of new standards, amendments to standards and interpretations are not yet effective or not yet adopted by the EU for the year ended 31 December 2017, and have not been applied in preparing these financial statements:

- IFRS 17: Insurance contracts (effective for annual periods beginning on or after 1 January 2021, with earlier adaptation permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied; not yet endorsed in the EU) requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.
- Annual Improvements to IFRSs 2014-2016 (Amendments to IFRS 12 Disclosure of Interests in Other entities effective for annual periods beginning on or after 1 January 2017, Amendments to IFRS 1 First-time Adoption of IFRSs and IAS 28 Investments in Associates and Joint Ventures effective for annual periods beginning on or after 1 January 2018; not yet endorsed in the EU) introduce clarifications or minor amendments to these three standards. The Group expects that the amendments will not have a material impact on the Group's consolidated financial statements.
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018; not yet endorsed in the EU) clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The Group expects that the amendments will not have a material impact on the Group's consolidated financial statements.
- Amendments to IAS 40: Transfers to Investment Property (effective for annual periods beginning on or after 1 January 2018; not yet endorsed in the EU) introduce minor amendments to the standard. The Group expects that the amendments will not have a material impact on the Group's consolidated financial statements.
- IFRIC 22: Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018; not yet endorsed in the EU) addresses foreign currency transactions or parts of transactions where:
  - there is consideration that is denominated or priced in a foreign currency;
  - the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
  - the prepayment asset or deferred income liability is non-monetary.
- IFRIC 23: Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019; not yet endorsed in the EU) addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019; not yet endorsed in the EU) clarify how IFRS 9 classifies particular prepayable financial assets and the accounting for financial liabilities following a modification. The Group expects that the clarifications will not have a material impact on the Group's consolidated financial statements.
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019; not yet endorsed in the EU) clarify the accounting for financial instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The Group expects that the clarifications will not have a material impact on the Group's consolidated financial statements.
- Annual Improvements to IFRS Standards 2015-2017 Cycle (effective for annual periods beginning on or after 1 January 2019; not yet endorsed in the EU) containing the amendments to the following IFRSs: IFRS 3: Business Combinations (clarification of remeasurement of previously held intrests in a joint operation upon obtaining control of it) and IFRS 11: Joint Arrangements (clarification of no remeasurement of previously held interests in a joint operation upon obtaining joint control of it), IAS 12: Income Taxes (clarification that all income tax consequences of dividends should be recognized in profit or loss, regardless of how the tax arises), and IAS 23: Borrowing Costs (clarification that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that

borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings).

The Group expects that the amendments will not have a material impact on the Group's consolidated financial statements.

Other new International Financial Reporting Standards and Interpretations not yet due
The Group has not early adopted any IFRS standards where adoption is not mandatory at the statement of financial position date. Where transition provisions in adopted IFRS give an entity the choice of whether to apply new standards prospectively or retrospectively, the Group elects to apply the standards prospectively from the date of transition. Management of the Group does not expect that these other new standards will have a significant effect on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) Associates
Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the Group has incurred obligations in respect of the associate.

(iii) Joint ventures
Joint ventures are arrangements in which the Group has joint control, established by contractual agreement, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The consolidated financial statements include the Group's share of the total recognised gains and losses of joint ventures on an equity accounted basis, from the date that joint control commences until the date that joint control ceases.

(iv) Consolidation scope
There are 61 companies included in the consolidation as at 31 December 2017 (2016: 39). All fully consolidated companies prepared their annual financial statements at 31 December 2017. The companies are listed in Note 46. Group entities and this list is based on the ownership hierarchy.

(v) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised gains (losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent of the recoverable amount.

(vi) Acquisition method of accounting

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the recognition criteria under IFRS 3 are recognised at their fair value at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Any non-controlling interest in an acquiree is measured as the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Goodwill arising in a business combination is recognised as an asset and is not amortised but is reviewed for impairment at least annually.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

(vii) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available for sale financial asset depending on the level of influence retained.

(viii) Tax effect of inclusion of the consolidated subsidiaries' reserves

The consolidated financial statements do not include the tax effects that might arise from transferring the consolidated subsidiaries' reserves to the accounts of the Parent Company, since no distribution of profits, not taxed at the source, is expected in the foreseeable future, and the Group considers that these reserves will be used as self-financing resources at each consolidated subsidiary.

(ix) Unification of accounting principles

The accounting principles and procedures applied by the consolidated companies in their financial statements were unified in the consolidation, and agree with the principles applied by the Parent Company.

(b) Foreign currency

(i) Foreign currency transactions

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the Group is EUR.

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate valid as at the statement of financial position date.

Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into the functional currency using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency at the foreign exchange rates ruling at the dates the fair values are determined.

(ii) Financial statements of foreign operations

The consolidated financial statements are presented in Euro, which is the Group's presentation currency.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into Euro at foreign exchange rates ruling at the statement of financial position date. The revenues and expenses of foreign operations are translated into Euro at the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in other comprehensive income.

(iii) Embedded derivatives

Hybrid financial instruments are a combination of non-derivative host contracts and derivative financial instruments (embedded derivatives). Subject to certain conditions, IAS 39 Financial Instruments: Recognition and Measurement requires that embedded derivative components be separated from the host contracts and separately carried at fair value with changes recorded in the income statement.

(c) Financial instruments

(i) Classification

Financial instruments for trading are those that the Group holds for trading that is, with the purpose of short-term profit taking. These include investments, derivative contracts and liabilities from short sales of financial instruments.

Hedging derivatives are derivative assets or liabilities that meet the criteria for hedge accounting as defined in IAS 39.

Investment securities measured at fair value through profit and loss are instruments designed at FVTPL or to eliminate economic mismatch. Loans and advances to banks and customers are non-derivative financial assets with fixed and determinable payments, not quoted in an active market, which are not classified as Investment securities available for sale or Investment securities held to maturity, Financial assets for trading or Investment securities measured at fair value through profit or loss.

Investment securities held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the intent and ability to hold to maturity.

Investment securities available for sale are those non-derivative financial assets that are not designated as fair value through profit or loss, loans and advances to banks and customers or as held to maturity.

(ii) Recognition

Financial instruments for trading, investment securities measured at fair value through profit and loss and available for sale are recognised on the date the Group commits to purchase the assets. Regular way purchases and sales of other financial assets including held to maturity assets are accounted for on the settlement date.

Loans and advances to banks and customers are recognised on the day they are provided by the Group.

(iii) Measurement

Financial instruments are measured upon initial recognition at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial instrument.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Subsequent to initial recognition, financial assets are measured at their fair value, except for loans and advances to customers, investment securities held to maturity, and certain non-quoted equity securities classified as available for sale the fair value of which cannot be measured reliably, which are measured at amortised cost or at cost. After initial recognition, financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss. In measuring amortised cost, any difference between cost and redemption value is recognised in the income statement over the period of the asset or liability on an effective interest rate basis.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the statement of financial position date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated by management using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the statement of financial position date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market-related measures at the statement of financial position date.

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments reflected in Note 38 Fair value information.

Loans and advances: Fair value is calculated based on discounted expected future principal and interest cash flows using the appropriate yield curve and risk spread. Expected future cash flows are estimated considering credit risk and any indication of impairment. The estimated fair values of loans reflect changes in credit status since the loans were made and changes in interest rates in the case of fixed rate loans. Deposit and loans from banks and customers: For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the statement of financial position date. The estimated fair value of fixed-maturity deposits is based on discounted cash flows using appropriate yield curve.

Trade receivables and other assets/ liabilities: For receivables/ payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. Other receivables/ payables are discounted to determine the fair value.

Investment securities held to maturity: Fair value is based on quoted market prices traded in active markets at the statement of financial position date. If not available, the fair value is calculated based on discounted expected future principal and interest cash flows using the appropriate yield curve and risk spread. Expected future cash flows are estimated considering credit risk and any indication of impairment. The estimated fair values of financial assets held to maturity reflect changes in credit status since they were acquired and changes in interest rates in the case of fixed rate instruments.

(v) Gains and losses on subsequent measurement

Gains and losses arising from a change in fair value are recognised in the income statement for instruments held for trading or measured at fair value through profit or loss and directly in other comprehensive income as a revaluation difference for investment securities available for sale. The cumulative gain or loss of available for sale assets previously recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment when the available for sale asset is derecognised. Interest income and expense from assets available for sale are recorded in the income statement by applying the effective interest rate method. Refer to accounting policy (c) vii for accounting for gains and losses on subsequent measurement of hedges.

(vi) Derecognition

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when the Group's obligations specified in the contract expire or are discharged or cancelled.

Investment securities available for sale, financial assets for trading and investment securities measured at fair value through profit or loss that are sold are derecognised and the corresponding receivables from the buyer for the payment are recognised as at the date the Group commits to sell the assets.

Investment securities held to maturity and loans and advances to banks and customers are derecognised on the day they are disposed of by the Group.

(vii) Hedge accounting

Hedging instruments that consist of derivatives associated with a currency risk are classified either as cash-flow hedges or fair value hedges. From the inception of the hedge, the Group maintains a formal documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. The Group also periodically assesses the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. The Group considers hedging as highly effective, if the changes in fair value relating to the hedged risk during the period covered, compensate changes in the fair value of the hedging instrument in the range of 80% to 125%.

In case of a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

In case of a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value is recognised in profit or loss together with the changes in the fair value of the hedged item that are attributable to the hedged risk (in the same line as the hedged item).

The Group uses fair value hedge to cover the foreign currency exposure to changes in the fair value of investment securities available for sale and investment in equity accounted investees over the hedging period. The Group uses currency forwards as hedging instruments. Furthermore, the Group uses hedging derivatives to hedge the fair value of recognized assets (bonds with fixed income denominated in Euros). The Group entered into interest rate swaps to hedge the changes in fair value caused by changes in interest rates.

(d) Cash and cash balances at central banks and cash equivalents

Cash and cash balances at central banks comprise cash balances on hand and cash deposited with central banks. This item also includes obligatory minimum reserves. The Group can freely transact with the amount of these reserves under the assumption that average obligatory minimum reserves are maintained within the given maintenance period established by the relevant central banks.

For the purposes of preparing the Consolidated statement of cash flows, the Group includes into Cash and cash equivalents also other short- term highly liquid investments with original maturities of three months or less, such as Loans from reverse repurchase agreements with maturities of less than three months, Current account with banks and Loans and advances with original maturities of three months or less (all presented in caption Loans and advances to banks in the Consolidated statement of financial position).

(e) Loans and advances to banks and customers

Loans and advances originated by the Group are classified as originated loans and receivables. Loans and advances are reported net of impairment allowance to reflect the estimated recoverable amounts (refer to accounting policy (h)).

The Group classifies all its receivables from clients into the following five basic categories laid down by Regulation (EU) No 575/2013 of the European Parliament and Council Regulation (CRR) of 26 June 2013 and complementary legislation in the respective countries: receivables without obligor default divided into standard and watch receivables, and receivables with obligor default divided into non-standard, doubtful and loss receivables. In the evaluation of individual loans, the classification takes into account both qualitative and quantitative criteria.

The criteria mentioned include the following:

- major financial problems of the issuer or debtor;
- breach of a contract, e.g. delayed payment of interest or principal or failure to pay them;
- relief provided by the creditor to the debtor for economic or other legal reasons relating to the debtor's financial problems, that the creditor would not have otherwise provided;
- likelihood of bankruptcy or other financial restructuring of the debtor;
- extinction of an active market for the given financial asset for financial reasons; or
- observable facts demonstrating a measurable decline of estimated future cash flow from the portfolio of financial assets after their initial recognition despite the existing impossibility to detect the decrease for individual financial assets in the portfolio; and
- others.

Forbearance

The Group treats forbearance in accordance with the Technical Standard on non-performing exposures and forbearance measures published by the European Banking Authority (EBA) and in accordance with the Public Statement of the European Securities and Markets Authority (ESMA) on the treatment of forbearance practices in the financial statements of financial institutions prepared in accordance with IFRS.

Forbearance is an exposure where the Group decides, due to the debtor's financial problems, to grant a concession which in other circumstances would not be granted. The concession may consist in the modification of the terms and conditions of the contract or in debt refinancing. The modification of the terms and conditions may include, but is not limited to, a decrease in interest rate, reduction of the interest or principal, change in the repayment schedule (e.g. postponement of interest payment due date, temporary payment holiday, prolongation of the final due date of the loan, fee or accessories for the debtor, modification or non-monitoring of covenants, interest or instalment capitalisation, partial debt write-off). Any modification of terms and conditions or refinancing which is not a result of the debtor's financial problems cannot be interpreted as forbearance. Concessions may result in better interest risk management and mitigation of potential future loan losses.

Details regarding the structure and quality of the credit portfolio are given in Note 41. Risk management policies and disclosures.

Individually assessed allowances

Based on regular reviews of the outstanding balances, specific allowances for loan losses are made for the carrying amount of loans and advances that are identified as being impaired to reduce these loans and advances to the amounts recoverable.

The Group mainly uses the financial statements of the client and the Group's own analysis as the basis for assessment of the loan's collectibility.

Allowances made, less amounts released during the reporting period, are charged to the statement of comprehensive income. Outstanding loan exposures are written off only when there is no realistic prospect of recovery. If in a subsequent period the amount of an allowance for loan losses decreases and the decrease can be linked objectively to an event occurring after the allowance was booked, the allowance is reversed through the statement of comprehensive income.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired.

Allowances are evaluated separately on a regularly basis within each portfolio. The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loan assessments.

In estimating the amount of allowances necessary, management evaluates the likelihood of repayment of individual loans and takes into account the value of collateral and the ability of the Group to realize the collateral.

(f) Sale and repurchase agreements

Where securities are sold under a commitment to repurchase at a predetermined price (repos), they remain on the statement of financial position and a liability is recorded equal to the consideration received. Conversely, securities purchased under a commitment to resell (reverse repos) are not recorded on the statement of financial position and the consideration paid is recorded as a loan. The difference between the sale price and the purchase price is treated as interest and accrued evenly over the life of the transaction. Repos and reverse repos are recognised on a settlement date basis.

(g) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis or to realise the asset and settle the liability simultaneously.

(h) Impairment

The carrying amounts of the Group’s assets, other than deferred tax assets (refer to accounting policy (v)) are reviewed at each statement of financial position date to determine whether there is objective evidence of impairment. If any such indication exists, the asset’s recoverable amount is estimated. Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation, but are tested annually for impairment as part of the cash generating unit to which they belong.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The Group regularly assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and advances are presented net of impairment allowances. Allowances for impairment are determined based on the credit standing, performance of the borrower and expected cash flow and take into account the value of any collateral or third-party guarantee. The allowances are proportionally allocated to the total outstanding amount of the receivables, i.e. principal, interest accrual and penalty interest, if any.

The recoverable amount of the Group's investment in held to maturity assets and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed upon initial recognition of these financial assets).

The recoverable amount of other assets is the greater of their fair value less costs of diposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of a held to maturity asset or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through the income statement. If the fair value of a debt instrument classified as available for sale increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in the income statement, then the impairment loss is reversed, with the amount of the reversal recognised in the income statement.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss no longer exists and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Assets held for sale and discontinued operations

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Immediately before classification as held-for-sale, the assets, or components of a disposal group, are remeasured in accordance with the Group´s other accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax, employee benefits, investment property, which continue to be measured in accordance with the Group´s other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Once classified as held-for-sale, intangible assets and property, plant end equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

A discontinued operation is a component of the Group´s business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

When an asset (or disposal group) previously classified as held for sale no longer meets the criteria for such classification, the Group ceases to classify such asset (or disposal group) as held for sale. Thus, the entity remeasures a non-current asset (or disposal group) at the lower of its carrying amount before the asset was classified as held for sale (adjusted for any depreciation, amortization or revaluation that would have been recognized had the asset not been classified as held for sale) and its recoverable amount at the date of the subsequent decision not to sell.

(j) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer to accounting policy (h)).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property.

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised if it is probable that the future economic benefits embodied in the part of property, plant and equipment will flow to the Group and its cost can be measured reliably. All other expenditures including the costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as an expense as incurred.

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Buildings	40 years
Equipment	3 – 8 years
Fixtures, fittings and others	3 – 8 years

Depreciation methods and useful lives, as well as residual values, are reassessed annually at the reporting date.

(k) Intangible assets

(i) Goodwill and intangible assets acquired in a business combination

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included under intangible assets. Goodwill on acquisition of associates and joint ventures is included in the carrying amount of investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Negative goodwill arising on an acquisition is reassessed and any excess remaining after the reassessment is recognised in the income statement.

Intangible assets acquired in a business combination are recorded at fair value on the acquisition date if the intangible asset is separable or arises from contractual or other legal rights. Intangible assets with an indefinite useful life are not subject to amortisation and are recorded at cost less impairment. Intangible assets with a definite useful life are amortised over their useful lives and are recorded at cost less accumulated amortisation and impairment.

(ii) Software and other intangible assets

Software and other intangible assets acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (refer to accounting policy (h)).

The useful lives are usually finite. Those intangible assets that have an indefinite useful life are not amortised and are tested annually for impairment. Their useful life is reviewed at each period-end to assess whether events and circumstances continue to support an indefinite useful life.

(iii) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets other than goodwill, from the date the asset is available for use. The estimated useful lives are as follows:

Software	4 years
Other intangible assets	2 – 9 years
Customers relationships	3 – 20 years
Tradename	13 – 14 years

(l) Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognized in profit or loss.

Fair values of investment property are determined either by independent registered valuers or by management, in both cases based on current market values in an active market for similar properties in the same location and conditions.

Valuations reflect, where appropriate, the type of tenants in occupation or responsible for meeting lease commitments, or likely to be in occupation after letting vacant property, the general market’s perception of tenants’ creditworthiness and the remaining economic life of the properties.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss for the period in which it arises. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

(m) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

The Group recognizes a provision related to a customer loyalty programme run by J&T BANKA, a.s. The provision decreases interest revenue when the first points are credited to the customer upon setting up a new bank account. The provision is then further built up as further points are credited to the customer depending on the use of services offered by the Group and other partners of the loyalty programme.

(n) Insurance contracts

A contract, under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder, is classified as an insurance contract. Insurance premium is earned from the day of the acceptance of the risks and is recognized as revenue. For unearned premium, a provision is created. Insurance claims expenses are represented by claims for the events that have occurred during the accounting period and adjustment of provision for the insurance claims for previous and current accounting period.

Provision for insurance claims and benefits

The provision for outstanding claims and benefits represents an estimate of total costs for settling all claims from insured events that have occurred up to the end of the accounting period. Outstanding insurance claims are recognised by assessing individual events and creating provisions for claims reported but not settled (RBNS) and a provision for claims incurred but not reported (IBNR). Such provisions are created for both life and non-life insurance.

Provision for life insurance

The provision for life insurance is an actuarial estimate of the Group's liability from life insurance contracts. The provision is calculated separately for each insurance contract and considering all guaranteed insurance benefits and bonuses, applying the actuarial estimates used to calculate the insurance tariffs. Any adjustment to the provision is recognised in profit or loss in the period in which it arises.

(o) Employee benefits

For termination employee benefits, a provision is recognised for the amount expected to be paid under long or short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The benefit is classified as short term, if and only if the whole benefit category will be settled within one year; otherwise, it is disclosed as long term.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Amounts due to employees, such as amounts relating to accrued vacation pay or performance bonuses, are recognized as other liabilities.

(p) Financial guarantees

Financial guarantees are contracts that require the Group to make specific payments to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when due in accordance with the terms of the debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. Financial guarantee liabilities are subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities when future payment is considered probable and included in off-balance sheet when considered to be a possible obligation.

(q) Trading liabilities and other liabilities

Trade and other liabilities are stated at amortised cost.

(r) Interest income and expense

Interest income and expense is recognised in the income statement as it accrues. Interest income and expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis. All borrowing costs (except for those that qualify for capitalization) are recognised in the income statement.

(s) Fee and commission income and expense

Fee and commission income arises on financial services provided by the Group, including cash management services, brokerage services, investment advice and financial planning, investment banking services, project and structured finance transactions, and asset management services. Assets under management comprising all client assets managed or held for investment purposes by the Group in its own name, but for the account of third parties, are not reported in its consolidated statement of financial position (refer to Note 42. Assets under management). Commissions received from such business are shown in fee and commission income.

Fee and commission income and expense are recognised when the corresponding services are provided or received.

(t) Dealing profits, net

Dealing profits, net include gains and losses arising from disposals and changes in the fair value of financial assets and liabilities at fair value through profit or loss and available for sale, gains and losses from foreign exchange trading, as well as realized and unrealized foreign exchange gains and losses.

(u) Rental income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

(v) Income tax

Income tax on the profit for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities, in a transaction that is not a business combination, that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future since the parent is able to control the reversal of the temporary difference. No taxable temporary differences are recognised on the initial recognition of goodwill. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.

Income tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred income taxes are calculated using currently enacted tax rates expected to apply when the asset is realized or the liability settled.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(w) Operating and finance lease

(i) Group as a lessee

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments for finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Operating leases with an option to terminate the contract earlier than at the end of the agreed period are considered as non-cancellable for the time of the contracted notice period.

On the other hand, in case of operating leasing, the assets are not recognized on the Group's statement of financial position.

(ii) Group as a lessor

Leases under which the Group transfers substantially all the risks and rewards of ownership are classified as finance leases. A finance lease receivable is recognized over the leasing period in an amount equal to the net investment in the lease and presented within loans and advances to customers in the consolidated statement of financial position. Net investment in the lease is calculated as the present value of the minimum lease payments and any unguaranteed residual value, discounted at the interest rate implicit in the lease.

Finance income recognition is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

Gains and losses on disposal of assets owned by the Group that were previously subject to finance lease agreements are presented net in Other opering income or expense.

(x) Revenue from goods sold and services rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the statement of financial position date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods.

(y) Dividends

Dividends are recognised in the statement of changes in equity and recorded as liabilities in the period in which they are declared.

(z) Changes in the financial statements' structure

As at 31 December 2017 there have been changes in the detail of presentation of the statement of financial position. The changes are aimed to improve the relevancy and reliability of the information presenting the financial position of the Group.

Implementation of the changes in the financial statements' structure required also a structural change in the comparative information, i.e. as at 31 December 2016. The changes concern only the structure of the statement of the financial position and they have no impact on the financial position nor performace of the Group as already presented.

The following table summarizes the changes in the statement of financial position as at 31 December 2016:

Former structure In thousands of EUR	31.12.2016	Cash balances	Financial assets held for trading	Investment securities at FVTPL	Hedging derivatives	New structure In thousands of EUR	31.12.2016
ASSETS						**ASSETS**	
Cash and cash equivalents	935,178	297,762	–	–	–	Cash and cash balances at central banks	1 232 940
Financial assets at fair value through profit and loss	189,245	–	(184,717)	(4,525)	(3)	–	–
–	–	–	184 717	–	–	Financial assets for trading	184 717
–	–	–	–	–	3	Hedging derivatives	3
–	–	–	–	4 525	–	Investment securities at FVTPL	4 525
Financial assets available for sale	1,277,400	–	–	–	–	Investment securities available for sale	1,277,400
Financial assets held to maturity	405,372	–	–	–	–	Investment securities held to maturity	405,372
Disposal group held for sale	8,145	–	–	–	–	Disposal group held for sale	8,145
Loans and advances to banks	1,204,164	(297,762)	–	–	–	Loans and advances to banks	906,402
Loans and advances to customers	5,657,515	–	–	–	–	Loans and advances to customers	5,657,515
Trade receivables and other assets	179,783	–	–	–	–	Trade receivables and other assets	179,783
Current tax assets	4,870	–	–	–	–	Current tax assets	4,870
Investments in equity accounted investees	1,024	–	–	–	–	Investments in equity accounted investees	1,024
Investment property	7,656	–	–	–	–	Investment property	7,656
Intangible assets	132,246	–	–	–	–	Intangible assets	132,246
Property, plant and equipment	43,951	–	–	–	–	Property, plant and equipment	43,951
Deferred tax assets	5,477	–	–	–	–	Deferred tax assets	5,477
Total assets	**10,052,026**	–	**–**	**–**	**–**	**Total assets**	**10,052,026**

Former structure In thousands of EUR	31.12.2016	Hedging derivatives	Trading liabilities	Debt securities issued	New structure In thousands of EUR	31.12.2016
LIABILITIES					**LIABILITIES**	
Financial liabilities at fair value through profit or loss	15,562	(5,406)	(10,156)	–		–
–	–	–	10,156	–	Trading liabilities	10,156
–	–	5,406	–	–	Hedging derivatives	5,406
Liabilities associated with disposal group held for sale	–	–	–	–	Liabilities associated with disposal group held for sale	–
Deposits and loans from banks	93,152	–	–	–	Deposits and loans from banks	93,152
Deposits and loans from customers	7,545,923	–	–	(69,059)	Deposits and loans from customers	7,476,864
Issued bonds	527,715	–	–	69,059	Debt securities issued	596,774
Subordinated debt	56,402	–	–	–	Subordinated debt	56,402
Other liabilities	284,630	–	–	–	Other liabilities	284,630
Current tax liability	5,934	–	–	–	Current tax liability	5,934
Provisions	23,564	–	–	–	Provisions	23,564
Deferred tax liabilities	10,909	–	–	–	Deferred tax liabilities	10,909
Total liabilities	**8,563,791**	**–**	**–**	**–**	**Total liabilities**	**8,563,791**

Former structure In thousands of EUR	31.12.2016	Hedging derivatives	Trading liabilities	Debt securities issued	New structure In thousands of EUR	31.12.2016
EQUITY					**EQUITY**	
Share capital	574,138	–	–	–	Share capital	574,138
Share premium	93,577	–	–	–	Share premium	93,577
Retained earnings and other reserves	777,391	–	–	–	Retained earnings and other reserves	777,391
Equity attributable to equity holders of the parent	**1,445,106**	**–**	**–**	**–**	**Equity attributable to equity holders of the parent**	**1,445,106**
Non-controlling interests	43,129	–	–	–	Non-controlling interests	43,129
Total equity	**1,488,235**	**–**	**–**	**–**	**Total equity**	**1,488,235**
Total equity and liabilities	**10,052,026**	**–**	**–**	**–**	**Total equity and liabilities**	**10,052,026**

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in accordance with International Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1. FINANCIAL INSTRUMENTS

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
– Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices of similar instruments) or indirectly (i.e. derived from such prices)
– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the market for a financial instrument is not active, fair value is estimated by using valuation techniques. In applying valuation techniques, management uses estimates and assumptions that are consistent with available information about estimates and assumptions that market participants would use in setting a price for the financial instrument.

Level 2 fair values are based on market values, but adjusted mainly by credit risk taking into account the credit risk of the Group and counterparty when appropriate.

If fair values had been higher or lower by 10% than quoted prices, the net carrying amount of financial instruments on Level 1 and Level 2, would have been EUR 114,398 thousand higher or lower than as disclosed as at 31 December 2017 (2016: EUR 135,956 thousand).

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

In the vast majority of cases, the fair value of Level 3 investments was estimated using comparative valuation methods and discounted cash flow ("DCF") models. The discount rates were based on the specificities of the industries and countries in which the investments operate and ranged from 2,00% to 14.13% as at 31 December 2017 (2016: from 5.08% to 9.72%). The key assumptions used in the valuations were the expected cash flows and the discount rates used.

For more information, refer to the following notes:
– Note 14. Financial assets for trading
– Note 15. Hedging derivatives
– Note 16. Investment securities measured at fair value through profit or loss
– Note 17. Investment securities available for sale
– Note 26. Investment property

4.2. BUSINESS COMBINATIONS AND PURCHASE PRICE ALLOCATIONS

In a business combination (see also Note 5.1. Acquisition and establishment of subsidiaries), the acquiree's identifiable assets, liabilities and contingent liabilities are recognised and measured at their fair values at the acquisition date. Allocation of the total purchase price among the net assets acquired for financial statement reporting purposes is performed with the support of professional advisors.

The valuation analysis is based on historical and prospective information available as at the date of the business combination. Any prospective information that may impact the fair value of the acquired assets is based on management's expectations of the competitive and economic environments that will prevail in the future.

The results of the valuation analyses are used as well for determining the amortisation and depreciation periods of the values allocated to specific intangible and tangible fixed assets.

There were several business combinations throughout the year 2017.

On 15 February 2017 the Group bought a 100% share in Health Care Financing, a.s. through its subsidiary J&T BANKA, a.s (on 8 August 2017 Health Care Financing, a.s. changed its name to J&T Leasingová společnost, a.s). The purpose of this transactions is further increase of the Group's leasing activities.

On 11 August 2017 J&T FINANCE GROUP SE acquired a 80% share in the French winery Chateau Teyssier (Société civile) and its distribution network through the purchase of a 100% share in Outsider LLC and an 80% share in Saxonwold Ltd. Subsequently, J&T FINANCE GROUP SE established J&T Wine Holding SE on 26 August 2017 and acquired a 100% share in the Czech winery KOLBY a.s. Such investments into wine production and distribution sites in major geoprahical regions represent new investment opportunities for the Group. The Group recognized goodwill in the amount of EUR 3,606 thousand in connection with this acquisition.

On 4 October 2017 J&T Bank, a.o. purchased the Russian bank AKB "Khovanskiy" a.o. at a discount from its original shareholders with the aim to optimize and expand its business activities. The transaction resulted into a recognition of gain on bargain purchase of EUR 3,197 thousand in the financial statements of the Group.

On 21 December 2017 and 14 December 2017 the Group gained control over the NOVA Hotels otevřený podílový fond REDSIDE investiční společnost, a.s. and Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s., respectively (see also Note 4.4. Determination of control over investment funds). The transaction did not lead to recognition of goodwill as the identifiable assets were already measured at fair value before control was gained.

There were no acquisitions of subsidiaries nor associates in 2016.

4.3. GOODWILL AND IMPAIRMENT TESTING

The Group conducts impairment testing of goodwill arisen in a business combination during the current period and impairment testing of goodwill already recognised in prior years annually (see also Note 5.1. Acquisitions and establishment of subsidiaries and Note 27. Intangible assets). The Group also conducts impairment testing of other intangible assets with indefinite useful lives and of cash-generating units (CGUs) where a trigger for impairment testing is identified. As at the acquisition date, goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which goodwill relates, on the basis of a value in use that reflects estimated future discounted cash flows or on the basis of fair value less costs to sell.

Fair value measurements for impairment testing purposes were categorized as a Level 3 measurement based on the inputs used in the valuation technique. In the majority of cases the Group estimated the recoverable amounts of goodwill and the cash generating units based on value in use. Value in use was derived from management forecasts of future cash flows updated since the date of acquisition. The discount rates applied to the cash flow projections are calculated as the weighted average cost of capital ("WACC") of each CGU.

Poštová banka, a.s.

Upon acquisition of Poštová banka, a.s. and its subsidiaries (Poštová banka Group) goodwill in amount of EUR 20,033 thousand was recognized. The recoverable amount of the Poštová banka Group cash generating unit, with a carrying amount of EUR 709,089 thousand (share controlled by the Group) as at 31 December 2017 and of EUR 670,504 thousand as at 31 December 2016, was determined on the basis of value in use and the full amount of goodwill recognized upon acquisition was allocated to the Poštová banka Group cash generating unit. The cash flows were derived from the Poštová banka Group's long term business plan, the key assumptions being forecast of net interest income and loans provided to customers, and these were applied over a specific five-year forecast period. The growth rate used to extrapolate cash flows beyond this period was 2.0%-2.2% (2016: 2.2%). Expected future cash flows were discounted using a WACC of 6.51%-6.71% (2016: 6.69%).

There was no impairment loss identified as a result of this impairment test. Should net interest income decrease by 10%, the value in use would decrease and an impairment of EUR 128,560 thousand would have to be recognized (2016: EUR 116,330 thousand).

Wine activities

The acquisition of the French winery Chateau Teyssier (Societe civile) and its distribution network through the purchase of a 100% share in Outsider LLC and an 80% share in Saxonwold Ltd resulted into recognition of goodwill in the amount of EUR 3,606 thousand. The goodwill relates to the cash generating unit represented by OUTSIDER LIMITED, Chateau Teyssier (Société civile), CT Domaines, SAXONWOLD LIMITED and World's End[2]. As at 31 December 2017 the recoverable amount of this cash generating unit exceeds its carrying amount of EUR 34,300 thousand (share controlled by the Group). There was no impairment loss identified as a result of the impairment test.

4.4. DETERMINATION OF CONTROL OVER INVESTMENT FUNDS

Management applies its judgement to determine whether the control indicators set out in Note 3 (a) indicate that the Group controls an investment fund. The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any carried interests and expected management fees) and the investors' rights to remove the fund manager. As a result, the Group has concluded that it acts as agent for the investors in all cases, except for J&T REALITY otevřený podílový fond and as described below (please refer to section 46. Group entities for detailed overview of the scope of consolidation).

After the change in the statute of NOVA Hotels otevřený podílový fond REDSIDE investiční společnost, a.s. in 2017, which newly gave the investors the right to participate in shareholder meetings and to pass a resolution with a majority of 75% the voting rights, J&T FINANCE GROUP SE gained control over the fund. Furthermore, in 2017 J&T FINANCE GROUP SE bought the founders' shares of Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s. with attached voting rights, thus the Group gained control over the fund.

[2] The Czech winery KOLBY a.s. is not part of this cash generating unit.

5. ACQUISITIONS AND DISPOSALS

5.1. ACQUISITION AND ESTABLISHMENT OF SUBSIDIARIES

(a) Acquisition of subsidiaries

In 2017 the Group acquired the following subsidiaries:

In thousands of EUR	Date of acquisition	Cost	Cash outflow	Group's interest after acquisition (%)
Health Care Financing, a.s.[3]	15.2.2017	–	–	100.00
OUTSIDER LIMITED	11.8.2017			100.00
Chateau Teyssier (Société civile)	11.8.2017			80.00
CT Domaines	11.8.2017	34,358	34,358	80.00
SAXONWOLD LIMITED	11.8.2017			80.00
World's End	11.8.2017			80.00
KOLBY a.s.	13.9.2017	3,297	3,297	100.00
AKB "Khovanskiy" a.o.	4.10.2017	13,719	13,719	100.00
NOVA Hotels otevřený podílový fond REDSIDE investiční společnost, a.s.	21.12.2017	35,706	–	99.20
DIAMOND HOTELS SLOVAKIA, s.r.o.	21.12.2017			99.20
BHP Tatry, s.r.o.	21.12.2017			99.20
Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.	14.12.2017	156,345	–	99.16
FORESPO SOLISKO a.s.	14.12.2017			99.16
FORESPO HELIOS 1 a.s.	14.12.2017			99.16
FORESPO HELIOS 2 a.s.	14.12.2017			99.16
FORESPO HOREC a SASANKA a.s.	14.12.2017			99.16
FORESPO PÁLENICA a.s.	14.12.2017			99.16
INVEST-GROUND a.s.	14.12.2017			99.16
FORESPO-RENTAL 1 a.s.	14.12.2017			99.16
FORESPO-RENTAL 2 a.s.	14.12.2017			99.16
FORESPO BDS a.s.	14.12.2017			99.16
DEVEL PASSAGE s.r.o.	14.12.2017			99.16
FORESPO DUNAJ 6 a.s.	14.12.2017			99.16
Total	**–**	**243,425**	**51,374**	**–**

[3] Acquisition price of Health Care Financing, a.s. was 1 CZK.

There were no acquisitions of subsidiaries nor associates in 2016.

(b) Establishment of subsidiaries

In 2017 the Group established the following:

	Date of establishment	Group's interest after establishment (%)
J&T Global Finance VIII., s.r.o.	1.5.2017	100.00
J&T Wine Holding SE	23.8.2017	100.00
J&T Mezzanine, a.s.	15.11.2017	100.00

In 2016 the following subsidiaries were established:

	Date of establishment	Group's interest after establishment (%)
J&T Global Finance VI., s.r.o.	27.2.2016	100.00
J&T Global Finance VII., s.r.o.	18.7.2016	100.00

(c) Effect of acquisitions

The acquisitions of new subsidiaries in 2017 had the following effect on the Group's assets and liabilities (refer also to Note 4.2 Business combinations and purchase price allocations):

In thousands of EUR	Wine activities[4]	Compact Property Fund[5]	NOVA Hotels otevřený podílový fond[6]	Other entities	Total
Cash and cash balances at central banks	–	10	81	22,532	22,623
Investment securities available for sale	3,297	83	–	–	3,380
Loans and advances to banks	–	6,352	5,132	17,138	28,622
Loans and advances to customers	–	10,359	419	8,686	19,464
Trade receivables and other assets	6,520	4,944	1,523	1,967	14,954
Current tax assets	–	140	–	–	140
Investment property	–	141,620	–	–	141,620
Intangible assets	–	3	21	45	69
Property, plant and equipment	45,026	7,343	42,605	7	94,981
Deferred tax assets	–	153	3,357	731	4,241
Deposits and loans from banks	(8,500)	–	(12,504)	(186)	(21,190)
Deposits and loans from customers	–	(10,358)	–	(24,390)	(34,748)
Debt securities issued	–	–	–	(721)	(721)
Subordinated debt	–	–	–	(6,938)	(6,938)
Other liabilities	(4,602)	(4,196)	(3,085)	(2,071)	(13,954)
Current tax liability	–	(11)	(6)	–	(17)
Provisions	–	(97)	(52)	(3)	(152)
Deferred tax liabilities	–	–	(1,785)	–	(1,785)
Non-controlling interests	(7,692)	–	–	–	(7,692)
Net identifiable assets and liabilities	**34,049**	**156,345**	**35,706**	**16,797**	**242,897**
Goodwill on acquisition of new subsidiaries	3,606	–	–	119	3,725
Gain on a bargain purchase	–	–	–	(3,197)	(3,197)
Cost of acquisition	**37,655**	**156,345**	**35,706**	**13,719**	**243,425**
Consideration paid, satisfied in cash	(37,655)	–	–	(13,719)	(51,374)
Cash and cash equivalents acquired	–	6,362	5,213	39,110	50,685
Net cash inflow (outflow)	**(37,655)**	**6,362**	**5,213**	**25,391**	**(689)**
Profit (loss) since acquisition date	(59)	–	–	(19)	(78)
Profit (loss) of the acquired entity for all of 2017	(13)	(7,406)	956	762	(5,701)
Revenues of the acquired entity for all of 2017	–	(7,328)	(13)	3,051	(4,290)

[4] Acquired companies engaging in wine activities are OUTSIDER LIMITED, Chateau Teyssier (Societe civile), CT Domaines, SAXONWOLD LIMITED, World's End and KOLBY a.s.

[5] Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s. subgroup comprise the following companies: Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s., FORESPO SOLISKO a.s., FORESPO HELIOS 1 a.s., FORESPO HELIOS 2 a.s., FORESPO HOREC a SASANKA a.s., FORESPO PÁLENICA a.s., INVEST-GROUND a.s., FORESPO-RENTAL 1 a.s., FORESPO-RENTAL 2 a.s., FORESPO BDS a.s., DEVEL PASSAGE s.r.o. and FORESPO DUNAJ 6 a.s

[6] NOVA Hotels otevřený podílový fond REDSIDE investiční společnost, a.s. subgroup comprise the following companies: NOVA Hotels otevřený podílový fond REDSIDE investiční společnost, a.s., DIAMOND HOTELS SLOVAKIA, s.r.o. and BHP Tatry, s.r.o.

5.2. DISPOSALS

(a) Disposals of subsidiaries

The following disposals occurred in 2017 and in 2016:

31 December 2017

In thousands of EUR	Date of disposal	Other assets disposed of	Cash inflow	Gain (loss) on disposal/ liquidation
PB IT, a.s. v likvidácii	1.1.2017	183	–	–
Total		**183**	**–**	**–**

31 December 2016

In thousands of EUR	Date of disposal	Other assets disposed of	Cash inflow	Gain (loss) on disposal/ liquidation
J&T Global Finance I., B.V.	1.1.2016	17	17	13
J&T Global Finance II., B.V.	1.1.2016	18	18	(5)
J&T Cafe, s.r.o.	1.1.2016	4	4	(1)
ART FOND- Stredoeurópský fond súčasného umenia, a.s.	24.2.2016	281	281	11
ABS Property Limited	31.5.2016	2,173	2,173	459
Total		**2,493**	**2,493**	**477**

On 1 January 2017 PB IT, a.s. v likvidácii entered into liquidation, which was completed in February 2018 by selling of the remaining assets of this company.

(b) Effect of disposals

The disposals of subsidiaries had the following effect on the Group's assets and liabilities:

Effect of disposals in 2017

In thousands of EUR	PB IT, a.s. v likvidácii
Cash and cash balances at central banks	123
Current tax assets	77
Other liabilities	(5)
Non-controlling interests	(12)
Net assets and liabilities	**183**
Receivables sold in related transaction	**–**
Cumulative income and expense included in other comprehensive income reclassified to profit or loss	–
Sales price	–
Other values acquired	183
Gain on disposal	**–**
Consideration received, satisfied in cash	–
Cash disposed of	(123)
Net cash inflow (outflow)	**(123)**

Effect of disposals in 2016

In thousands of EUR	ABS Property Limited	Other	Total effect
Cash and cash balances at central banks	16	346	362
Financial assets available for sale	–	103	103
Trade receivables and other assets	571	3	574
Current tax assets	–	3	3
Intangible assets	–	2	2
Property, plant and equipment	5,469	316	5,785
Deferred tax assets	948	–	948
Deposits and loans from banks	(2,281)	–	(2,281)
Deposits and loans from customers	(2,666)	–	(2,666)
Other liabilities	(73)	(10)	(83)
Non-controlling interests	–	(423)	(423)
Net assets and liabilities	**1,984**	**340**	**2,324**
Receivables sold in related transaction	**–**	**2**	**2**
Cumulative income and expense included in other comprehensive income reclassified to profit or loss	(270)	(40)	(310)
Sales price	2,173	320	2,493
Gain on disposal	**459**	**18**	**477**
Consideration received, satisfied in cash	2,173	320	2,493
Cash disposed of	(16)	(346)	(362)
Net cash inflow (outflow)	**2,157**	**(26)**	**2,131**

6. NET INTEREST INCOME

In thousands of EUR	2017	2016
INTEREST INCOME		
Loans and advances to banks and customers	344,189	347,803
Bonds and other fixed income securities	36,598	43,084
Repo transactions	6,636	8,295
Bills of exchange	2,301	11,680
Receivables from central banks	4,430	1,056
Other	10,900	11,760
Total interest income	**405,054**	**423,678**
INTEREST EXPENSE		
Deposits and loans from banks and customers	(68,123)	(108,195)
Bonds and other securities with fixed interest rate	(22,517)	(24,429)
Bills of exchange	(1,001)	(1,189)
Hedging derivatives	(1,122)	(893)
Repo transactions	(741)	(48)
Other	(2,593)	(6,353)
Total interest expense	**(96,097)**	**(141,107)**
Total net interest income	**308,957**	**282,571**

The interest income from loans classified as impaired and accrued in 2017 was EUR 17,851 thousand (2016: EUR 18,541 thousand).

Interest income from financial assets that are not at fair value through profit or loss in 2017 was EUR 399,614 thousand (2016: EUR 416,833 thousand). Interest expense from financial liabilities that are not at fair value through profit or loss in 2017 was EUR 96,097 thousand (2016: EUR 141,107 thousand).

Interest expense from hedging derivatives includes accrued interest from interest rate derivatives used to hedge interest rate risk.

Other interest income of EUR 10,900 thousand includes a negative interest on Deposits and loans from banks of EUR 2,150 thousand (2016: EUR 73 thousand). Refer to Note 29. Deposits and loans from banks.

7. NET FEE AND COMMISSION INCOME

In thousands of EUR	2017	2016
FEE AND COMMISSION INCOME		
Fees on administration and payment transactions	32,390	33,957
Fees on assets under management	28,592	22,434
Fees on bond issue	12,016	9,862
Fees on financial instrument operations	11,758	12,445
Fees on custody, administration and depositing of valuables	4,611	3,162
Fees on promises and guarantees	3,847	4,502
Intermediation fees	1,297	1,417
Other fees and commission income	20,926	21,129
Total fee and commission income	**115,437**	**108,908**
FEE AND COMMISSION EXPENSE		
Intermediation fees	(11,407)	(11,398)
Fees on payment transactions	(7,604)	(9,350)
Fees on financial instrument operations	(7,809)	(5,953)
Other fees and commission expenses	(8,002)	(6,362)
Total fee and commission expense	**(34,822)**	**(33,063)**
Total net fee and commission income	**80,615**	**75,845**

Other fees and commission income and expenses include a large number of sundry items that are not significant on an individual basis.

8. NET DEALING PROFIT

In thousands of EUR	2017	2016
Realised and unrealised gains (losses) on financial instruments at fair value	(4,363)	49,171
Realised and unrealised gains (losses) from receivables	19,220	(11,054)
Dividend income	5,426	10,965
Exchange rate gain (losses)	58,357	(20,608)
Total net dealing profit	**78,640**	**28,474**

The main losses on financial instruments in 2017 were generated from derivatives trading (EUR 19,338 thousand), predominantely from currency derivatives. These were partially compensated by gains from realization of revaluation reserve from Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s. in the amount of EUR 5,866 thousand[7] and sale of NOVA GREEN ENERGY O.P.F. in amount of EUR 2,326 thousand.

The majority of gains on financial instruments in 2016 were generated from derivatives trading (EUR 14,888 thousand) and from sale of financial instruments of Energochemica in the amount of EUR 5,651 thousand, J&T Investments Pools in the amount of EUR 6,981 thousand and VISA Europe in the amount of EUR 3,148 thousand.

Realised and unrealised gains (losses) on financial instruments at fair value include gains and losses from hedging.

The losses on the hedged items attributable to the hedged risks amount to EUR (11,468) thousand (2016: EUR (3,723) thousand). The gains on the hedging instruments amount to EUR 11,596 thousand (2016: EUR 3,685 thousand).

Realised and unrealised gains from receivables in 2017 were mainly generated by cession of receivables, individually immaterial, compensated by losses from cession of receivables of ASTRUM Laus, s.r.o. in amount of EUR 5,267 thousand and FABRYKA WAGONOW GNIEWCZYNA a.s. in amount of EUR 2,126 thousand.

9. OTHER OPERATING INCOME

In thousands of EUR	**2017**	**2016**
Revenues from services and consulting	10,802	11,329
Revenues (premium) of insurance companies	8,782	8,075
Gain on the disposal of subsidiaries, joint ventures and associates	6,844	477
Change in provisions	4,438	–
Gain from receivables written off	–	5,026
Rental income from investment property	719	1,054
Income from rented aircraft and other operating leases	584	929
Other rental income	357	290
Other income	5,865	5,734
Total other operating income	**38,391**	**32,914**

Gain on the disposal of subsidiaries, joint ventures and associates in the amount of EUR 6,844 thousand results from sale of two entities, PGJT B.V. and PROFIREAL OOO. Disposal of subsidiaries includes only deconsolidation of “PB IT, a.s. v likvidácii”, which did not have impact on profit for the year 2017 as described in note 5.2 Disposals.

Other income includes a large number of sundry items that are not significant on an individual basis.

[7] When control over the entity previously classified as available for sale instrument is gained, the financial instrument is derecognized and instead the underlying net assets of the entity are fully consolidated from this moment on.

10. PERSONNEL EXPENSES

In thousands of EUR	2017	2016
Wages and salaries	(76,416)	(69,522)
Compulsory social security contributions	(22,274)	(19,551)
Other social expenses	(1,882)	(1,887)
Total personnel expenses	**(100,572)**	**(90,960)**

The weighted average number of employees during 2017 was 2,443 (2016: 2,335), out of which executives represent 159 employees (2016: 159).

11. OTHER OPERATING EXPENSES

In thousands of EUR	2017	2016
Rent expenses	(17,201)	(15,030)
Advertising expenses	(16,125)	(10,401)
Change in impairment of receivables and other assets	(14,026)	(4,956)
Repairs and maintenance expenses	(9,412)	(9,131)
Tax on financial transactions	(9,149)	(9,443)
Consulting expenses	(7,915)	(6,628)
Mandatory fees paid by financial institutions	(7,070)	(7,723)
Communication expenses	(6,608)	(6,082)
Insurance technical provisions and claims	(5,351)	(4,733)
Materials	(3,486)	(3,210)
Sponsoring and gifts	(2,842)	(2,600)
Transport and accommodation, travel expenses	(2,279)	(1,969)
Property and other taxes	(2,245)	(1,640)
Outsourcing	(1,086)	(1,215)
Training, courses and conferences	(1,160)	(1,215)
Energy	(378)	(363)
Contractual penalties	(151)	(1,729)
Change in provisions	–	(10,417)
Other operating expenses	(15,684)	(11,930)
Total other operating expenses	**(122,168)**	**(110,415)**

Other operating expenses include a large number of sundry items that are not significant on an individual basis.

12. INCOME TAX

In thousands of EUR	2017	2016
CURRENT TAX EXPENSE		
Current year	(36,641)	(37,447)
Adjustments for prior periods	185	(242)
Withheld on interest	(37)	(40)
Total	**(36,493)**	**(37,729)**
DEFERRED TAX INCOME (EXPENSE)		
Origination and reversal of temporary differences	819	3,059
Change in tax rate	(104)	121
Total	**715**	**3 180**
Total income tax expense	**(35,778)**	**(34,549)**

The corporate income tax rate in the Czech Republic for 2017 and 2016 is 19%. The corporate income tax rate in Slovakia for 2016 was 22% and has decreased to 21% in 2017. The corporate income tax rate in Russia for 2017 and 2016 is 20%.

(i) Reconciliation of the effective tax rate

In thousands of EUR	2017 %	2017	2016 %	2016
Profit before tax		**173,288**		**96,378**
Income tax at 19% (2016: 19%)	(19.0)	(32,925)	(19.0)	(18,321)
Effect of tax rates in foreign jurisdictions	(2.0)	(1,935)	(2.2)	(2,163)
Non-deductible expenses	(15.3)	(14,758)	(26.1)	(25,176)
Non-taxable income	14.6	14,054	13.4	12,954
Tax withheld on interest	(0.0)	(37)	(0.0)	(40)
Recognition of previously unrecognised tax losses	0.2	212	0.8	779
Current year tax losses for which no deferred tax asset was recognised	(0.5)	(482)	(2.5)	(2,402)
Change in temporary differences for which no deferred tax asset was recorded	(0.0)	–	(0.0)	(8)
Deffered tax – current period adjustment for DT recognized in prior period	(0.0)	12	(0.1)	(60)
Tax charges over provided in prior years	0.2	185	(0.3)	(242)
Change in tax rate	(0.1)	(104)	0.1	121
Total income tax expense	**(20.6)**	**(35,778)**	**(35.8)**	**(34,549)**

(ii) Income tax recognized in other comprehensive income

In thousands of EUR	2017 Before tax	2017 Tax benefit	2017 Net of tax	2016 Before tax	2016 Tax expense	2016 Net of tax
Foreign exchange translation differences	16,190	–	16,190	22,910	–	22,910
Change in fair value of financial assets available for sale	2,616	(103)	2,513	(9,668)	1,096	(8,572)
Share of other comprehensive income of equity accounted investees	30	–	30	130	–	130
Total	**18,836**	**(103)**	**18,733**	**13,372**	**1,096**	**14,468**

(iii) Movements in deferred tax balances during the year

In thousands of EUR	Balance at 1 January 2017	Recognised in profit or loss	Recognised in other comprehensive income	Acquired in business combinations	Foreign exchange translation differences	Disposals	Transfer to/ from disposal group held for sale	Balance at 31 December 2017
Property, plant and equipment	(290)	279	–	1,449	6	–	–	1,444
Intangible assets	(17,192)	2,723	–	34	(177)	–	–	(14,612)
Investment property	(2,985)	28	–	109	216	–	–	(2,632)
Impairment of trade receivables and other assets	73	(10)	–	3	–	–	(5)	61
Investment securities available for sale	(2,927)	(1,001)	(103)	1	(5)	–	–	(4,035)
Investment securities held to maturity	(3,785)	903	–	–	–	–	–	(2,882)
Employee benefits (IAS 19)	935	92	–	–	(1)	–	–	1,026
Unpaid interest, net	(25)	(22)	–	–	(1)	–	–	(48)
Financial assets for trading	(35)	(113)	–	–	7	–	–	(141)
Loans and advances	8,992	448	–	–	149	–	–	9,589
Provisions	1,028	(175)	–	–	12	–	5	870
Derivatives	129	26	–	–	(11)	–	–	144
Tax losses	4,219	(3,535)	–	635	(74)	–	–	1,245
Other temporary differences	6,431	1,072	–	225	188	–	–	7,916
Total	**(5,432)**	**715**	**(103)**	**2,456**	**309**	**–**	**–**	**(2,055)**

In thousands of EUR	Balance at 1 January 2016	Recognised in profit or loss	Recognised in other comprehensive income	Acquired in business combinations	Foreign exchange translation differences	Disposals	Transfer to/ from disposal group held for sale	Balance at 31 December 2016
Property, plant and equipment	(1,618)	686	–	–	1	640	1	(290)
Intangible assets	(20,922)	3,713	–	–	7	–	10	(17,192)
Investment property	(2,373)	(6)	–	–	(606)	–	–	(2,985)
Impairment of trade receivables and other assets	24	89	–	–	(3)	–	(37)	73
Investment securities available for sale	(4,910)	918	1,096	–	246	–	(277)	(2,927)
Investment securities held to maturity	(5,213)	1,487	–	–	(2)	–	(57)	(3,785)
Employee benefits (IAS 19)	696	239	–	–	–	–	–	935
Unpaid interest, net	(35)	10	–	–	–	–	–	(25)
Financial assets for trading	–	(31)	–	–	(4)	–	–	(35)
Loans and advances	10,964	696	–	–	(402)	–	(2,266)	8,992
Provisions	4,527	(315)	–	–	11	–	(3,195)	1,028
Derivatives	–	91	–	–	19	–	19	129
Tax losses	9,181	(3,459)	–	–	85	(1,588)	–	4,219
Other temporary differences	2,247	(938)	–	–	(2)	–	5,124	6,431
Total	**(7,432)**	**3,180**	**1,096**	**–**	**(650)**	**(948)**	**(678)**	**(5,432)**

13. CASH AND CASH BALANCES AT CENTRAL BANKS

In thousands of EUR	31 December 2017	31 December 2016
CASH AND CASH BALANCES AT CENTRAL BANKS AT AMORTISED COST		
Cash on hand	65,780	42,512
Current accounts at central banks	45,696	49,700
Obligatory minimum reserves deposited at central banks	88,489	93,914
Loans and advances to central banks	360,801	1,046,814
Total cash and cash balances at central banks	**560,766**	**1,232,940**

The weighted average interest rate on cash and cash balances at central banks was 0.02% as at 31 December 2017 (2016: 0.05%).

Obligatory minimum reserves represent the obligatory minimum reserves maintained by J&T BANKA, a.s., J&T Bank, a.o., Poštová banka, a.s. and J&T Banka d.d. (VABA d.d. banka Varaždin) under regulations of the relevant regulatory authorities.

The obligatory minimum reserve for J&T BANKA, a.s. is calculated as 2% of primary deposits with a maturity of less than two years. These obligatory minimum reserves are interest earning.

The obligatory minimum reserve for J&T Bank, a.o. is calculated as the sum of 5% of deposits denominated in RUB, 6% of individual deposits denominated in foreign currency and 7% of nonresidents' corporate deposits and other liabilities denominated in foreign currency minus the average calculated sum of weighted deposits. Besides, the average calculated sum of deposits is kept on the bank's current account deposited with the Central Bank of the Russian Federation. In the case of J&T Bank, a.o., the obligatory minimum reserve is not bearing any interest.

The obligatory minimum reserve for Poštová banka, a.s. is calculated as 1% of primary deposits with maturity of less than two years and is interest bearing.

The obligatory minimum reserve for J&T Banka d.d. (VABA d.d. banka Varaždin) is calculated on average daily balances of deposits and loans, issued debt securities, subordinated instruments and financial liabilites excluding balances with specified banks. The obligatory reserve is calculated as 12% of the above and is not bearing any interest.

The table below shows the composition of Cash and cash equivalents as presented in the Consolidated statement of cash flow:

In thousands of EUR	31 December 2017	31 December 2016
CASH AND CASH EQUIVALENTS		
Cash on hand	65,780	42,512
Current accounts at central banks	45,696	49,700
Obligatory minimum reserves deposited at central banks	88,489	93,914
Loans and advances to central banks	360,801	1,046,814
Current accounts at banks (Note 20)	77,238	84,348
Loans and advances with original maturities of three months or less (Note 20)	48,111	38,954
Loans in reverse repurchase agreements (Note 20, 23)	2,269,070	776,761
Total cash and cash equivalents	**2,955,185**	**2,133,003**

14. FINANCIAL ASSETS FOR TRADING AND TRADING LIABILITIES

14.1. FINANCIAL ASSETS FOR TRADING

In thousands of EUR	31 December 2017	31 December 2016
NON-DERIVATIVE FINANCIAL ASSETS FOR TRADING		
Bonds	222,493	151,727
Shares	18,686	21,151
Other financial assets	1,697	1,368
Total non-derivative financial assets for trading	**242,876**	**174,246**
TRADING DERIVATIVES		
Currency contracts	19,608	5,717
Option contracts for share purchase	6,279	4,754
Total trading derivatives	**25,887**	**10,471**
Total financial assets for trading	**268,763**	**184,717**

Debentures for trading as at 31 December 2017 comprise mainly SAZKA Group Financing a.s. EUR 53,854 thousand (2016: nil), Czech government bonds of EUR 52,197 thousand (2016: EUR 68,085 thousand), Russian government bonds of EUR 22,689 thousand (2016: EUR 14,762 thousand) and EUROVEA, a.s. bonds of EUR 474 thousand (2016: EUR 30,818 thousand).

Income from debt and other fixed-rate instruments is recognised in interest income. At 31 December 2017 the weighted average interest rate on bonds was 5.19% (2016: 4.68%).

The Group uses fair value hedge to cover the foreign currency exposure to changes in fair value of investment securities available for sale and investment in equity accounted investees over the hedging period. The Group uses currency forwards as hedging instruments.

(i) Fair value measurement of financial assets for trading

As at 31 December 2017

In thousands of EUR	Shares	Bonds	Other financial assets	Total
FAIR VALUE OF NON-DERIVATIVE FINANCIAL ASSETS FOR TRADING				
Level 1 – quoted market prices	17,930	139,588	1,099	158,617
Level 2 – derived from quoted prices	680	81,585	598	82,863
Level 3 – calculated using valuation techniques	76	1,320	–	1,396
Total	**18,686**	**222,493**	**1,697**	**242,876**
FAIR VALUE OF TRADING DERIVATIVES				
Level 2 – derived from quoted prices				25,887
Total				**25,887**
Total financial assets for trading				**268,763**

As at 31 December 2016

In thousands of EUR	Shares	Bonds	Other financial assets	Total
FAIR VALUE OF NON-DERIVATIVE FINANCIAL ASSETS FOR TRADING				
Level 1 – quoted market prices	20,881	150,017	1,361	172,259
Level 2 – derived from quoted prices	–	–	7	7
Level 3 – calculated using valuation techniques	270	1,710	–	1,980
Total	**21,151**	**151,727**	**1,368**	**174,246**
FAIR VALUE OF TRADING DERIVATIVES				
Level 2 – derived from quoted prices				10,471
Total				**10,471**
Total financial assets for trading				**184,717**

(ii) Detail of fair value measurement in Level 3

The following table shows a reconciliation from the opening balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

In thousands of EUR	Shares	Bonds	Total
Balance at 1 January 2017	270	1,710	1,980
Total gains (losses) recognized in profit or loss	(20)	(2)	(22)
Additions	3	1,304	1,307
Disposals	–	(29)	(29)
Transfer to Level 2	(192)	(1,755)	(1,947)
Transfer from Level 1	–	1	1
Interest income less interest received	–	6	6
Effect of movements in foreign exchange	15	85	100
Balance at 31 December 2017	**76**	**1,320**	**1,396**
Balance at 1 January 2016	140	3,592	3,732
Total gains (losses) recognized in profit or loss	93	12	105
Additions	37	1,709	1,746
Disposals	–	(2,004)	(2,004)
Transfer to Level 1	–	(1,305)	(1,305)
Effect of movements in foreign exchange	–	(294)	(294)
Balance at 31 December 2016	**270**	**1,710**	**1,980**

Based on changes in market conditions for some financial instruments, derived market prices for these instruments were not available as at 31 December 2017. Bonds amounting to EUR 1 thousand (2016: nil) were therefore transferred from Level 1 to Level 3 as at that date.

As sufficient information for measuring the fair values based on observable market inputs became available in 2017 for some securities, shares amounting to EUR 192 thousand (2016: nil) and bonds amounting to EUR 1,755 thousand (2016: nil) were transfered from Level 3 to Level 2.

14.2. TRADING LIABILITIES

In thousands of EUR	31 December 2017	31 December 2016
NON-DERIVATIVE TRADING LIABILITIES		
Other trading liabilities	5,184	4,328
Total non-derivative trading liabilities	**5,184**	**4,328**
TRADING DERIVATIVES		
Forward currency contracts	21,555	5,660
Commodity derivatives	111	154
C'oss currency swaps	28	14
Total trading derivatives	**21,694**	**5,828**
Total trading liabilities	**26,878**	**10,156**

(i) Fair value measurement of trading liabilities

In thousands of EUR	31 December 2017	31 December 2016
FAIR VALUE OF NON-DERIVATIVE TRADING LIABILITIES		
Level 1 – quoted market prices	265	4,328
Level 2 – derived from quoted prices	4,919	-
Total	**5,184**	**4,328**
FAIR VALUE OF TRADING DERIVATIVES		
Level 2 – derived from quoted prices	21,694	5,828
Total	**21,694**	**5,828**
Total trading liabilities	**26,878**	**10,156**

There were no transfers of trading liabilities between Level 1, Level 2 or Level 3 of the fair value hierarchy for the years ended 31 December 2017 and 2016.

15. HEDGING DERIVATIVES

In thousands of EUR	31 December 2017	31 December 2016
HEDGING DERIVATIVES (ASSETS)		
Forward currency contracts	317	3
Total hedging derivatives (assets)	**317**	**3**
HEDGING DERIVATIVES (LIABILITIES)		
Interest rate swaps	3,738	5,063
Forward currency contracts	–	343
Total hedging derivatives (liabilities)	**3,738**	**5,406**

The Group uses hedging derivatives to hedge the fair value of recognized assets (bonds with fixed income denominated in euros). The Group entered into interest rate swaps to hedge the changes in fair value caused by changes in risk-free interest rates.

(i) Fair value measurement of hedging derivative assets and liabilities

In thousands of EUR	31 December 2017	31 December 2016
FAIR VALUE OF HEDGING DERIVATIVE ASSETS		
Level 2 – derived from quoted prices	317	3
Total	**317**	**3**
FAIR VALUE OF HEDGING DERIVATIVE LIABILITIES		
Level 2 – derived from quoted prices	3,738	5,406
Total	**3,738**	**5,406**

There were no transfers of hedging derivatives between Level 1, Level 2 or Level 3 of the fair value hierarchy for the years ended 31 December 2017 and 2016.

16. INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

In thousands of EUR	31 December 2017	31 December 2016
Shares	6,603	437
Other financial assets	4,274	4,088
Total investment securities measured at fair value through profit or loss	**10,877**	**4,525**

(i) Fair value measurement of investment securities measured at fair value through profit or loss

As at 31 December 2017

In thousands of EUR	Shares	Other financial assets	Total
Level 1 – quoted market prices	–	2,435	2,435
Level 2 – derived from quoted prices	4,694	567	5,261
Level 3 – calculated using valuation techniques	1,909	1,272	3,181
Total	**6,603**	**4,274**	**10,877**

As at 31 December 2016

In thousands of EUR	Shares	Other financial assets	Total
Level 1 – quoted market prices	–	2,443	2,443
Level 2 – derived from quoted prices	–	558	558
Level 3 – calculated using valuation techniques	437	1,087	1, 524
Total	**437**	**4,088**	**4,525**

(ii) Detail of fair value measurement in Level 3

The following table shows a reconciliation from the opening balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

In thousands of EUR	Shares	Other financial assets	Total
Balance at 1 January 2017	437	1,087	1,524
Total gains (losses) recognized in profit or loss	1,096	102	1,198
Additions	35,788	177	35,965
Disposals	(30,718)	(5)	(30,723)
Transfer to Level 2	(4,694)	–	(4,694)
Effect of movements in foreign exchange	–	(89)	(89)
Balance at 31 December 2017	**1,909**	**1,272**	**3,181**
Balance at 1 January 2016	437	786	1,223
Total gains (losses) recognized in profit or loss	–	46	46
Transfer to Level 1	–	(844)	(844)
Transfer from Level 2	–	1,071	1,071
Effect of movements in foreign exchange	–	28	28
Balance at 31 December 2016	**437**	**1,087**	**1,524**

During 2017 sufficient information for measuring the fair values based on observable market inputs became available in 2017 for some securities and thus shares amounting EUR 4,694 thousand (2016: nil) were transfered from Level 3 to Level 2. In 2016, based on changes in market conditions for some financial instruments, market prices for these instruments became available as at 31 December 2016. These allotment cerfiticates amounting to EUR 844 thousand were therefore transferred from Level 3 to Level 1 during the year. Further, allotment certificates totalling EUR 1,071 thousand were transferred from Level 2 to Level 3.

17. INVESTMENT SECURITIES AVAILABLE FOR SALE

In thousands of EUR	31 December 2017	31 December 2016
Shares	26,187	21,668
Investments funds units	222,644	365,320
Bonds	772,347	890,412
Total investment securities available for sale	**1,021,178**	**1,277,400**

Investment securities available for sale comprise primarily bonds, investment funds units and shares as at 31 December 2017 and 2016. Bonds as at 31 December 2017 comprise Slovak government bonds in amount of EUR 106,398 thousand (2016: EUR 171,091 thousand), Polish government bonds of EUR 99,659 thousand (2016: EUR 124,382 thousand), Czech government bonds in amount of EUR 71,236 thousand (2016: EUR 72,813 thousand), bonds of Starland Holding a.s. in amount of EUR 67,459 thousand (2016: EUR 67,447 thousand), French government bonds of EUR 66,676 thousand (2016: EUR 68,042 thousand) and bonds of Tatry mountain resorts, a.s. of EUR 43,836 thousand (2016: EUR 72,830 thousand).

The weighted average interest rate on bonds was 3.54% (2016: 3.72%). The maturity of the bonds is between 2018 and 2047. Bonds with maturity in 2047 are in amount of EUR 444 thousand (2016: nil).

Shares as at 31 December 2017 comprise primarily ČEZ, a.s. of EUR 6,437 thousand (2016: EUR 5,253 thousand) and shares of Tatry mountain resorts, a.s. in amount of EUR 5,134 thousand (2016: EUR 4,686 thousand).

Investment fund units as at 31 December 2017 and 2016 comprise primarily funds that focus on real estate development and investments into mix of shares and debt instruments of global firms and exchange traded funds.

At 31 December 2017 investment securities available for sale of EUR 592,390 thousand (2016: EUR 760,835 thousand) are expected to be recovered more than 12 months after the reporting date.

(i) Fair value measurement of investment securities available for sale

31 December 2017

In thousands of EUR	**Shares**	**Investment funds units**	**Bonds**	**Total**
Level 1 – quoted market prices	11,768	–	586,587	598,355
Level 2 – derived from quoted prices	10,359	198,999	84,025	293,383
Level 3 – calculated using valuation techniques	4,060	23,645	101,735	129,440
Total	**26,187**	**222,644**	**772,347**	**1,021,178**

31 December 2016

In thousands of EUR	**Shares**	**Investment funds units**	**Bonds**	**Total**
Level 1 – quoted market prices	11,321	4,172	731,491	746,984
Level 2 – derived from quoted prices	5,243	360,921	76,235	442,399
Level 3 – calculated using valuation techniques	5,104	227	82,686	88,017
Total	**21,668**	**365,320**	**890,412**	**1,277,400**

(ii) Detail of fair value measurement in Level 3

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy:

In thousands of EUR	**Equity instruments**	**Bonds**	**Total**
Balance at 1 January 2017	5,331	82,686	88,017
Total gains (losses) recognized in other comprehensive income	1,198	(1,442)	(244)
Total gains (losses) for the period recognised in profit or loss	(602)	(3,781)	(4,383)
Additions	7,575	18,613	26,188
Disposals	(1,206)	–	(1,206)
Transfer from Level 2	19,332	–	19,332
Transfer to Level 2	(4,810)	–	(4,810)
Interest income less interest received	–	592	592
Effect of movements in foreign exchange	887	5,067	5,954
Balance at 31 December 2017	**27,705**	**101,735**	**129,440**

In thousands of EUR	Equity instruments	Bonds	Total
Balance at 1 January 2016	36,069	143,388	179,457
Total gains (losses) recognized in other comprehensive income	(3,897)	1,188	(2,709)
Total gains (losses) for the period recognised in profit or loss	8,183	(472)	7,711
Additions	6,120	4,723	10,843
Disposals	(41,148)	(41,779)	(82,927)
Transfer from Level 1	4	67,677	67,681
Transfer to Level 1	–	(91,079)	(91,079)
Interest income less interest received	–	210	210
Effect of movements in foreign exchange	–	(1,170)	(1,170)
Balance at 31 December 2016	**5,331**	**82,686**	**88,017**

Based on changes in market conditions for some financial instruments, derived market prices for these instruments were not available as at 31 December 2017 and thus financial instruments available for sale amounting to EUR 19,332 thousand were transferred from Level 2 to Level 3. On the other hand, sufficient information for measuring the fair values based on observable market inputs became availabe in 2017 for some securities and thus financial instruments amounting EUR 4,810 thousand were transferred from Level 3 to Level 2. There were no other transferres between the levels in 2017.

In 2016, based on changes in market conditions for some financial instruments, quoted market prices for these instruments were not available. Financial instruments amounting to EUR 67,681 thousand were therefore transferred from Level 1 to Level 3 as at that date.

During the year ended 31 December 2016, due to changes in market conditions for some instruments, market prices from active markets became available and bonds amounting to EUR 91,079 thousand were therefore transferred from Level 3 to Level 1. There were no other transfers between Level 1 and Level 2 of the fair value hierarchy in 2016.

The majority (66% (2016: 81%)) of the bonds presented under Level 3 comprise bonds of an issuer owning real estate properties (mainly land), for which comparative valuation methods based on current land market prices were used.

18. INVESTMENT SECURITIES HELD TO MATURITY

In thousands of EUR	31 December 2017	31 December 2016
Slovak government bonds	270,319	342,975
Government bonds of other European Union countries	7,476	7,513
Financial institution and corporate bonds	27,593	48,306
Bills of exchange	–	6,578
Total investment securities held to maturity	**305,388**	**405,372**

Government bonds of other European Union countries as at 31 December 2017 comprise mainly Italian government bonds in amount of EUR 5,070 thousand (2016: EUR 5,105 thousand). Financial institution and corporate bonds comprise mainly bonds listed on stock exchanges- Tatra banka, a.s. in amount of EUR 14,999 thousand (2016: EUR 14,991 thousand) and Slovenská sporiteľňa, a.s. in amount of EUR 6,002 thousand (2016: EUR 6,004 thousand). As at 31 December 2016, corporate bonds included also MOL Hungarian Oil and Gas in amount of EUR 22,820 thousand, which matured in 2017.

At 31 December 2017 investment securities held to maturity of EUR 283,178 thousand (2016: EUR 299,559 thousand) are expected to be recovered more than 12 months after the reporting date.

The weighted average interest rate on bonds was 3.88% (2016: 4.10%). The maturity of the bonds is between 2018 and 2046. Bonds with maturity in 2046 are in amount of EUR 940 thousand (2016: nil). In 2016, the weighted average interest rate on bills of exchange was 6.50%.

19. DISPOSAL GROUP HELD FOR SALE

The detailed structure of the assets and liabilities of the disposal group as at 31 December 2017 and 31 December 2016 was as follows:

In thousands of EUR	31 December 2017	31 December 2016
Investment securities available for sale	4,210	3,978
Property, plant and equipment	12,868	4,167
Total assets	**17,078**	**8,145**

The Group did not recognize any cumulative income or expense accumulated in other comprehensive income relating to the disposal group held for sale as at 31 December 2017 nor 31 December 2016.

Property, plant and equipment is represented by collateralized assets provided to secure loan receivables. Such assets are expected to be sold within one year to satisfy receivables from the defaulted loans.

In 2017 and 2016 investment securities available for sale stand for equity instruments of J&T Ostravice Active Life UPF. The sale of J&T Ostravice Active Life UPF was delayed by the approval process of the land plan, which is out of the Group's control. Approving of the land plan is an inevitable condition to run the entity’s activities and commence the sale.

20. LOANS AND ADVANCES TO BANKS

In thousands of EUR	31 December 2017	31 December 2016
Loans in reverse repurchase agreements (Note 23)	2,269,070	776,761
Current accounts with banks	77,238	84,348
Loans and advances with original maturities of three months or less	48,111	38,954
Term deposits	2,388	4,892
Other	17	1,447
Total	**2,396,824**	**906,402**

At 31 December 2017 no loans to banks (2016: nil) are expected to be recovered more than 12 months after the reporting date.

The weighted average interest rate of loans to banks as at 31 December 2017 was 0.58% (2016: 0.28%).

21. LOANS AND ADVANCES TO CUSTOMERS

In thousands of EUR	31 December 2017	31 December 2016
Loans and advances to customers	5,825,358	5,752,546
Loans in reverse repurchase agreements (Note 23)	64,391	150,735
Less allowance for impairment of loans	(278,603)	(245,766)
Net loans and advances to customers	**5,611,146**	**5,657,515**

At 31 December 2017 loans and advances to customers of EUR 3,703,956 thousand (2016: EUR 3,113,626 thousand) are expected to be recovered more than 12 months after the reporting date.

Loans and advances to customers include 427 loans and advances with a carrying amount over EUR 100 thousand, which represent 81% of total loans and advances to customers (2016: 464 loans and advances representing 84%).

In 2017 the Group had loans to four customers with an aggregated balance of EUR 846,852 thousand (2016: four customers with an aggregated balance of EUR 847,105 thousand).

A significant part of the loans provided to customers relate to financing of projects and, as such, the repayment is dependent on realisation of the assets acquired by the customers financed by these loans as part of the projects. The assets are, in many cases, pledged in favour of the Group. Management believes that these receivables will be repaid in full.

The amount of non-interest bearing loans as at 31 December 2017 totaled EUR 4,140 thousand (2016: EUR 9,398 thousand). Receivables from these loans are fully provided for.

The weighted average interest rate of loans to customers as at 31 December 2017 was 4.76% (2016: 5.10%).

The loans and advances from finance leases are analyzed in Note 40.2. Finance lease.

22. IMPAIRMENT OF LOANS

In thousands of EUR	Individually assessed	Collectively assessed	Total
Balance at 1 January 2017	153,896	91,870	245,766
Creation	70,388	36,186	106,574
Release	(21,975)	(36)	(22,011)
Use	(23,515)	(31,147)	(54,662)
Effect of movements in foreign exchange	2,935	1	2,936
Balance at 31 December 2017	**181,729**	**96,874**	**278,603**

In thousands of EUR	Individually assessed	Collectively assessed	Total
Balance at 1 January 2016	96,148	65,173	161,321
Creation	85,680	40,623	126,303
Release	(27,228)	(9,767)	(36,995)
Use	(6,208)	(4,198)	(10,406)
Transfer (to)/from disposal group held for sale	4,299	28	4,327
Effect of movements in foreign exchange	1,205	11	1,216
Balance at 31 December 2016	**153,896**	**91,870**	**245,766**

23. REPURCHASE AND RESALE AGREEMENTS

23.1. REPURCHASE AGREEMENTS

The Group raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price, plus interest at a predetermined rate. At 31 December 2017 and 2016, total assets sold under repurchase agreement were as follows:

31 December 2017

In thousands of EUR	Fair value of underlying asset	Carrying amount of liability	Repurchase price
Loans and advances from customers (Note 30)	**2,139**	**2,163**	**2,171**
– maturity up to 1 month	1,466	1,490	1,491
– maturity 6-12 months	673	673	680
Loans and advances from banks (Note 29)	**814,022**	**804,418**	**803,527**
– maturity up to 1 month	419,321	413,272	412,861
– maturity 6-12 months	394,701	391,146	390,666
Total	**816,161**	**806,581**	**805,698**

31 December 2016

In thousands of EUR	Fair value of underlying asset	Carrying amount of liability	Repurchase price
Loans and advances from customers (Note 30)	**1,518**	**1,516**	**1,523**
– maturity up to 1 month	856	854	852
– maturity 6-12 months	662	662	671
Loans and advances from banks (Note 29)	**3,360**	**3,360**	**3,549**
– maturity over 12 months	3,360	3,360	3,549
Total	**4,878**	**4,876**	**5,072**

23.2. REVERSE REPURCHASE AGREEMENTS

The Group also purchases financial instruments under agreements to resell them at future dates (“reverse repurchase agreements”). Reverse repurchases are entered into as a facility to provide funds to customers. At 31 December 2017 and 2016, total assets purchased subject to agreements to resell them were as follows:

31 December 2017

In thousands of EUR	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase price
Loans and advances to customers (Note 21)	**101,459**	**64,391**	**61,493**
– maturity up to 1 month	4,987	4,361	1,278
– maturity 1-6 months	96,472	60,030	60,215
Loans and advances to banks (Note 20)	**2,236,574**	**2,269,070**	**2,234,971**
– maturity up to 1 month	2,235,777	2,267,955	2,233,856
– maturity 1-6 months	797	1,115	1,115
Total	**2,338,033**	**2,333,461**	**2,296,464**

31 December 2016

In thousands of EUR	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase price
Loans and advances to customers (Note 21)	**237,823**	**150,735**	**150,692**
– maturity up to 1 month	59,554	43,070	42,047
– maturity 1-6 months	178,269	107,665	108 ,645
Loans and advances to banks (Note 20)	**767,316**	**776,761**	**777,672**
– maturity up to 1 month	767,316	776,761	777,672
Total	**1,005,139**	**927,496**	**928,364**

Loans and advances to banks with an original maturity up to three months are disclosed as cash and cash equivalents.

24. TRADE RECEIVABLES AND OTHER ASSETS

In thousands of EUR	31 December 2017	31 December 2016
Purchased receivables	34,775	34,926
Trade receivables	27,354	20,744
– brutto	34,460	26,021
– allowance	(7,106)	(5,277)
Securities settlement balances	28,643	42,608
Receivables from sale and partial sale of investments and subsidiaries	–	5,400
Expected proceeds from liquidation	5,892	8,506
– brutto	8,952	9,661
– allowance	(3,060)	(1,155)
Receivables from insurance and reinsurance	751	754
– brutto	1,059	1,338
– allowance	(308)	(584)
Other tax receivables	1,836	1,101
Other receivables	48,872	44,042
– brutto	49,840	44,823
– allowance	(968)	(781)
Total receivables presented under risk management (see Note 41)	**148,123**	**158,081**
Prepayments	16,673	18,064
Advance payments	4,340	2,925
– gross	4,340	2,926
– allowance	–	(1)
Inventories	7,146	713
Total non-financial receivables and other assets	**28,159**	**21,702**
Total trade receivables and other assets	**176,282**	**179,783**

At 31 December 2017, trade receivables and other assets of EUR 1,218 thousand (2016: EUR 3,139 thousand) are expected to be recovered more than 12 months after the reporting date.

Other receivables as at 31 December 2017 include other individually insignificant items, such as collateral received for the purposes of derivative trading.

25. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

In thousands of EUR	31 December 2017	31 December 2016
Interests in joint ventures	–	644
Interest in associate	399	380
Total interests in equity accounted investees	**399**	**1,024**

Joint ventures

The Group had interest in two individually immaterial joint ventures established by contractual agreement.
The table analyses, in aggregate, the share of profit and other comprehensive income of these joint ventures:

In thousands of EUR	31 December 2017	31 December 2016
Share of:		
Loss from continuing operations	(661)	(1,844)
Other comprehensive income	17	130
Total share of comprehensive income from joint ventures	**(644)**	**(1,714)**

Reconciliation of summarised financial information:

In thousands of EUR	2017	2016
Opening net assets value (100%)	**1,288**	**1,791**
Effect of additional investment	–	2,925
Loss for the period	(1,322)	(3,688)
Other comprehensive income	34	260
Closing net assets value (100%)	**–**	**1,288**
Interests in joint ventures (50%)	**–**	**644**

26. INVESTMENT PROPERTY

In thousands of EUR	2017	2016
Balance at 1 January	7,656	5,670
Additions	854	814
Transfer to property, plant and equipment	(360)	(344)
Acquired through business combination	141,620	–
Effect of movement in foreign exchange	(576)	1,516
Balance at 31 December	**149,194**	**7,656**

Investment property as at 31 December 2017 includes buildings in amount of EUR 110,168 thousand (2016: buildings in amount of EUR 7,656 thousand) and lands in in amount of EUR 39,026 thousand (2016: lands in amount of EUR 0 thousand).

No investment property was subject to pledges as at 31 December 2017 and 2016.

The investment property was insured up to the amount of EUR 74,065 thousand as at 31 December 2017 (2016: EUR 6,718 thousand).

27. INTANGIBLE ASSETS

In thousands of EUR	Goodwill	Contracts and brand	Customer relationships	Software and other intangible assets	Total
COST					
Balance at 1 January 2016	41,757	89,318	84,937	55,794	271,806
Additions	–	–	–	11,874	11,874
Transfers (to)/from disposal group held for sale	2,389	–	–	181	2,570
Disposals	–	–	–	(2,716)	(2,716)
Disposals of subsidiaries	(9,028)	–	–	–	(9,028)
Effect of movements in foreign exchange	2,314	–	1,470	327	4,111
Balance at 31 December 2016	**37,432**	**89,318**	**86,407**	**65,460**	**278,617**
Balance at 1 January 2017	37,432	89,318	86,407	65,460	278,617
Additions	–	–	–	16,498	16,498
Acquisitions through business combinations	3,725	–	–	69	3,794
Transfers from tangible assets	–	–	–	15	15
Disposals	–	–	–	(4,776)	(4,776)
Effect of movements in foreign exchange	(301)	–	(5,319)	1,321	(4,299)
Balance at 31 December 2017	**40,856**	**89,318**	**81,088**	**78,587**	**289,849**
AMORTIZATION AND IMPAIRMENT LOSSES					
Balance at 1 January 2016	(20,311)	(16,541)	(62,024)	(27,566)	(126,442)
Amortization charge for the year	–	(6,616)	(5,981)	(8,335)	(20,932)
Impairment	–	–	(1,521)	–	(1,521)
Transfers to/(from) disposal group held for sale	(2,389)	–	–	(148)	(2,537)
Disposals	–	–	–	103	103
Disposals of subsidiaries	9,028	–	–	–	9,028
Effect of movements in foreign exchange	(2,292)	(1)	(1,469)	(308)	(4,070)
Balance at 31 December 2016	**(15,964)**	**(23,158)**	**(70,995)**	**(36,254)**	**(146,371)**
Balance at 1 January 2017	(15,964)	(23,158)	(70,995)	(36,254)	(146,371)
Amortization charge for the year	–	(6,616)	(5,640)	(8,869)	(21,125)
Impairment	(5)	–	(806)	–	(811)
Disposals	–	–	–	2,901	2,901
Effect of movements in foreign exchange	369	–	5,332	(933)	4,768
Balance at 31 December 2017	**(15,600)**	**(29,774)**	**(72,109)**	**(43,155)**	**(160,638)**
CARRYING AMOUNT					
At 1 January 2016	21,446	72,777	22,913	28,228	145,364
At 31 December 2016	**21,468**	**66,160**	**15,412**	**29,206**	**132,246**
At 1 January 2017	21,468	66,160	15,412	29,206	132,246
At 31 December 2017	**25,256**	**59,544**	**8,979**	**35,432**	**129,211**

Assets under development and borrowing costs

As at 31 December 2017 the cost of intangible assets under development (included in Other intangible assets) was EUR 1,495 thousand (2016: EUR 771 thousand).

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year (2016: nil).

28. PROPERTY, PLANT AND EQUIPMENT

In thousands of EUR	Land and buildings	Aircraft and related flight equipment	Fixtures, fittings and equipment	Total
COST				
Balance at 1 January 2016	39,268	11,356	29,679	80,303
Additions	1,603	–	4,963	6,566
Transfers from investment property	344	–	–	344
Transfers (to)/from disposal group held for sale	(4,672)	–	314	(4,358)
Disposals	(1,196)	–	(2,469)	(3,665)
Disposals of subsidiaries	–	(11,356)	(316)	(11,672)
Effect of movements in foreign exchange	2,918	–	245	3,163
Balance at 31 December 2016	**38,265**	**–**	**32,416**	**70,681**
Balance at 1 January 2017	38,265	–	32,416	70,681
Additions	2,917	–	6,123	9,040
Acquisitions through business combinations	94,011	–	970	94,981
Transfers from investment property	360	–	–	360
Transfer (to)/from disposal group held for sale	–	–	(15)	(15)
Disposals	(1,687)	–	(2,885)	(4,572)
Effect of movements in foreign exchange	(967)	–	190	(777)
Balance at 31 December 2017	**132,899**	**–**	**36,799**	**169,698**
DEPRECIATION AND IMPAIRMENT LOSSES				
Balance at 1 January 2016	(4,325)	(5,479)	(16,235)	(26,039)
Depreciation charge for the year	(2,293)	(125)	(5,013)	(7,431)
Impairment	(732)	(283)	–	(1,015)
Transfers to/(from) disposal group held for sale	–	–	(124)	(124)
Disposals	6	–	2,391	2,397
Disposals of subsidiaries	–	5,887	–	5,887
Effect of movements in foreign exchange	(205)	–	(200)	(405)
Balance at 31 December 2016	**(7,549)**	**–**	**(19,181)**	**(26,730)**
Balance at 1 January 2017	(7,549)	–	(19,181)	(26,730)
Depreciation charge for the year	(2,292)	–	(4,846)	(7,138)
Impairment	(21)	–	552	531
Transfers to/(from) disposal group held for sale	–	–	34	34
Disposals	1,111	–	2,336	3,447
Effect of movements in foreign exchange	76	–	(673)	(597)
Balance at 31 December 2017	**(8,675)**	**–**	**(21,778)**	**(30,453)**
CARRYING AMOUNT				
At 1 January 2016	34,943	5,877	13,444	54,264
At 31 December 2016	**30,716**	**–**	**13,235**	**43,951**
At 1 January 2017	30,716		13,235	43,951
At 31 December 2017	**124,224**	**–**	**15,021**	**139,245**

As at 31 December 2017 the Group's property, plant and equipment in the amount of EUR 41,973 thousand is subject to pledges (2016: EUR 0 thousand).

As at 31 December 2017 the Group's property, plant and equipment was insured up to the amount of EUR 142,525 thousand (2016: EUR 97,544 thousand).

Assets under construction and borrowing costs

As at 31 December 2017 the cost of property, plant and equipment under construction (included in Fixtures, fittings and equipment) was EUR 824 thousand (2016: EUR 869 thousand).

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2017 and 2016.

Idle assets

As at 31 December 2017 and 2016 the Group had no material idle assets.

29. DEPOSITS AND LOANS FROM BANKS

In thousands of EUR	31 December 2017	31 December 2016
DEPOSITS AND LOANS FROM BANKS		
Term deposits from banks	22,585	21,915
Received loans from repurchase agreements	804,418	3,360
Other received loans	107,516	67,877
Total deposits and loans from banks	**934,519**	**93,152**

As at 31 December 2017 deposits and loans from banks of EUR 35,199 thousand (2016: EUR 6,208 thousand) are expected to be settled more than 12 months after the reporting date.

The weighted average interest rate of standard deposits and loans from banks as at 31 December 2017 was 2.61% (2016: 2.31%). The Group also concluded a loan of EUR 782,256 thousand with negative interest rate of 1.95% in 2017.

For more information about repurchase agreements see Note 23. Repurchase and resale agreements.

30. DEPOSITS AND LOANS FROM CUSTOMERS

In thousands of EUR	31 December 2017	31 December 2016
DEPOSITS AND LOANS FROM CUSTOMERS		
Term and escrow deposits	4,250,108	4,917,650
Deposits payable on demand	2,906,094	2,538,431
Received loans from repurchase agreements	2,163	1,516
Other received loans	29,313	19,267
Total	**7,187,678**	**7,476,864**

As at 31 December 2017 deposits and loans from customers of EUR 646,423 thousand (2016: EUR 1,241,273 thousand) are expected to be settled more than 12 months after the reporting date.

The weighted average interest rate of deposits and loans from customers as at 31 December 2017 was 0.68% (2016: 1.17%).

For more information about repurchase agreements see Note 23. Repurchase and resale agreements.

31. DEBT SECURITIES ISSUED

In thousands of EUR	Original currency	Interest rate	Maturity date	31 December 2017	31 December 2016
Bonds listed on Bratislava Stock Exchange	EUR	6.00%	21.6.2016	26	41
Bonds listed on Prague Stock Exchange	CZK	5.20%	15.9.2017	–	196,556
Bonds listed on Bratislava Stock Exchange	EUR	5.25%	12.12.2018	147,423	145,495
Bonds listed on Bratislava Stock Exchange	EUR	3.80%	29.10.2019	73,534	75,982
Bonds listed on Prague Stock Exchange	CZK	3.00%	25.11.2019	116,606	109,641
Bonds listed on Prague Stock Exchange	CZK	4.00%	18.7.2022	126,698	–
Total issued bonds				**464,287**	**527,715**
Issued bills of exchange and loan notes				79,638	69,059
Total other debt securities issued				**79,638**	**69,059**
Total debt securities issued				**543,925**	**596,774**

In June 2013 the Group issued 100,000 pieces of bonds with a nominal value of EUR 1,000 per piece. The bonds were listed and traded on the Bratislava Stock Exchange. These bonds were repaid in June 2016, the remaining amount of EUR 26 thousand comprises unclaimed amount of bonds.

In September 2014 the Group issued 1,481 pieces of bonds with a nominal value of CZK 3,000 thousand per piece, that were traded on the Prague Stock Exchange. These bonds were fully repaid in September 2017. In December 2014 another 150,000 pieces of bonds with a nominal value of EUR 1,000 per piece that are traded on the Bratislava Stock Exchange.

In April 2016 the Group issued another 100,000 pieces of bonds with a nominal value of EUR 1,000 per piece that are traded on the Bratislava Stock Exchange and in November 2016 another 1,000 pieces of bonds with a nominal value of CZK 3,000 thousand per piece, that are traded on the Prague Stock Exchange.

In July 2017 the Group issued another 1,080 pieces of bonds with a nominal value of CZK 3,000,000 per piece that are traded on the Prague Stock Exchange.

The interest from all issues is paid regularly twice a year.

The Group has not had any defaults of principal or interest or other breaches with respect to its debt securities during the years ended 31 December 2017 and 2016.

The total carrying amount of the bonds issued does not include the amount of the bonds held by companies within the Group.

At 31 December 2017 issued bills of exchange and loan notes of EUR 47,050 thousand (2016: EUR 47,050 thousand) are expected to be settled more than 12 months after the reporting date.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liablities			Equity		
In thousands of EUR	Finance lease liabilities[8]	Debt securities issued	Subordinated debt	Retained earnings and other reserves	Non-controlling interests	Total
Balance as at 1 January 2017	**58**	**596 774**	**56 402**	**777 391**	**43 129**	**1 473 754**
CHANGES FROM FINANCING CASH FLOWS						
Distribution from share capital to shareholders	–	–	–	–	–	–
Proceeds from issued debt securities	–	161,241	–	–	–	161,241
Payments for buy-back	–	(229,459)	–	–	–	(229,459)
Acquisition of non-controlling interests	–	–	–	(370)	22,370	22,000
Disposal of non-controlling interests	–	–	–	1,910	(3,146)	(1,236)
Subordinated debt issued	–	–	3	–	–	3
Subordinated debt paid	–	–	(76)	–	–	(76)
Payments for finance lease	(27)	–	–	–	–	(27)
Bonus payments from issued other capital instruments	–	–	–	(25,143)	–	(25,143)
Dividends paid	–	–	–	–	(553)	(553)
Total changes from financing cash flows	**(27)**	**(68,218)**	**(73)**	**(23,603)**	**18,671**	**(73,250)**
The effect of changes in foreign exchange rates	**–**	**15,529**	**1,505**	**–**	**–**	**17,034**
OTHER CHANGES						
Liablitiy-related						
Interest expense	–	24,200	2,827	–	–	27,027
Interest paid	–	(24,360)	(2,694)	–	–	(27,054)
Total liability-related other changes	**–**	**(160)**	**133**	**–**	**–**	**(27)**
Total equity-related other changes	**–**	**–**	**–**	**153,895**	**11,422**	**165,317**
Balance at 31 December 2017	**31**	**543,925**	**57,967**	**907,683**	**73,222**	**1,582,828**

[8] Finance lease liabilities are included under Deposits and loans from customers in the financial statements and thus do not constitute a separate financial statements caption.

32. SUBORDINATED DEBT

In thousands of EUR	31 December 2017	31 December 2016
Subordinated debt at amortised cost	57,967	56,402

As at 31 December 2017 subordinated debt includes floating rate subordinated notes issued by J&T BANKA, a.s. with an initial amount of EUR 25,071 thousand (2016: EUR 25,020 thousand) with maturity in 2022, floating rate subordinated notes issued by J&T FINANCE GROUP SE with an initial amount of EUR 3,002 thousand (2016: EUR 3,002 thousand) with maturity in 2022.

Other subordinated debt as at 31 December 2017 includes fixed interest subordinated term deposits in total initial amount of EUR 29,894 thousand (2016: EUR 28,380 thousand) with maturity between years 2018- 2025 (2016: 2019- 2025).

Floating rate subordinated notes are based on 3 months EURIBOR. The weighted average interest rate on the subordinated debt as at 31 December 2017 was 5.31% (2016: 4.83%).

33. OTHER LIABILITIES

In thousands of EUR	31 December 2017	31 December 2016
Payables to clients from securities trading	218,025	136,312
Employee benefits	38,787	35,684
Trade payables	16,134	9,366
Uninvoiced supplies	10,420	6,067
Securities settlement balances	13,645	26,041
Other liabilities	53,427	35,307
Total other liabilities under risk management (see Note 41)	**350,438**	**248,777**
Advance payments received	4,937	33,358
Deferred income	2,400	2,495
Total non-financial other liabilities	**7,337**	**35,853**
Total	**357,776**	**284,630**

At 31 December 2017 other liabilities of EUR 722 thousand (2016: EUR 817 thousand) are expected to be paid more than 12 months after the reporting date.

Other liabilities include a large number of sundry items that are not significant on an individual basis.

34. PROVISIONS

In thousands of EUR	Insurance contracts	Other	Total
Balance at 1 January 2016	11,099	13,842	24,941
Provisions recorded during the period	11,261	14,081	25,342
Provisions used during the period	(2,668)	(11,365)	(14,033)
Provisions reversed during the period	(5,894)	(6,882)	(12,776)
Foreign exchange gain	–	90	90
Balance at 31 December 2016	**13,798**	**9,766**	**23,564**
Balance at 1 January 2017	13,798	9,766	23,564
Additions through business combinations	–	152	152
Provisions recorded during the period	3,120	3,313	6,433
Provisions used during the period	–	(802)	(802)
Provisions reversed during the period	–	(6,661)	(6,661)
Foreign exchange gain	–	126	126
Balance at 31 December 2017	**16,918**	**5,894**	**22,812**

As at 31 December 2017 provisions in amount of EUR 17,370 thousand (2016: EUR 16,888 thousand) are expected to be used later than 12 months after the reporting date. These include mainly provision for life insurance in amount of EUR 15,124 thousand (2016: EUR 12,163 thousand), provisions for commitments and granted guarantees in the amount of EUR 1,186 thousand (2016: EUR 4,212 thousand) and provision for unearned premiums of EUR 521 thousand (2016: EUR 494 thousand).

Current provisions of EUR 5,442 thousand include provision for commitments and granted guarantees of EUR 748 thousand (2016: EUR 2,342 thousand) and provision for a clients benefit programme (Magnus) of EUR 1,133 thousand (2016: EUR 1,154 thousand).

35. DEFERRED TAX ASSETS AND LIABILITIES

35.1. UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised in respect of the following item:

In thousands of EUR	31 December 2017	31 December 2016
Tax losses carried forward	5,255	2,435

An estimation of the expiry of unrecognized tax losses is as follows:

In thousands of EUR	2018	2019	2020	2021	After 2021
Tax losses	369	1,203	316	277	3,090

A deferred tax asset is recognised for the carry forward of unused tax losses only to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

Tax losses expire over a period of five years for losses arisen after 1 January 2004 in the Czech Republic. In Slovakia, tax losses arisen after 1 January 2010 can be amortised in the next four years equally each year. Some deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because, due to the varying nature of the sources of these assets, it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

35.2. RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

The following deferred tax assets and liabilities have been recognised:

In thousands of EUR	31 December 2017 Assets	31 December 2017 Liabilities	31 December 2016 Assets	31 December 2016 Liabilities
Property, plant and equipment	3,752	2,308	272	562
Intangible assets	69	14,681	217	17,409
Investment property	109	2,741	–	2,985
Impairment of trade receivables and other assets	61	–	73	–
Financial assets available for sale	287	4,322	709	3,636
Financial assets held to maturity	–	2,882	14	3,799
Employee benefits (IAS 19)	1,026	–	935	–
Unpaid interest, net	1	49	–	25
Financial assets at fair value through profit or loss	–	141	–	35
Loans and borrowings	11,733	2,144	11,688	2,696
Provisions	870	–	1,028	–
Derivates	144	–	129	–
Tax losses	1,245	–	4,219	–
Other temporary differences	7,942	26	6,431	–
	27,239	29,294	25,715	31,147
Netting[1]	(18,026)	(18,026)	(20,238)	(20,238)
Total	**9,213**	**11,268**	**5,477**	**10,909**

[1] Netting- gross deferred tax assets and liabilities were netted for each individual subsidiary of the Group when applicable.

Many parts of Slovak, Czech and Russian tax legislation remain untested and there is uncertainty about the interpretation that the financial authorities may apply in a number of areas. The effect of this uncertainty cannot be quantified and will only be resolved as legislative precedents are set or when the official interpretations of the authorities are available.

36. SHAREHOLDERS' EQUITY

(i) Share capital and share premium

In 2016 J&T FINANCE GROUP SE bought back its own shares from its majority shareholders in total nominal value of CZK 1,960,442,300. The difference between the purchase price and the nominal value was recorded in retained earnings. The purchase price was partially netted with the outstanding balance of the loan previously provided to the shareholders by J&T FINANCE GROUP SE.

After the purchase the shares were withdrawn by the Company and the share capital decreased from CZK 17,740,750,488 to CZK 15,780,308,188. The reason for the transaction was the optimalization of the shareholders' structure of J&T FINANCE GROUP SE.

In 2017 there were changes neither in the share capital nor in the share premium.

The structure of the shareholders as at 31 December 2017 and 2016 was as follows:

	Ownership %	**Voting rights %**
Ing. Jozef Tkáč	45.05	45.05
Ing. Ivan Jakabovič	45.05	45.05
CEFC Shanghai International Group Limited	5.40	5.40
CEFC Hainan International Holdings Co., Ltd.	4.50	4.50
Total	**100.00**	**100.00**

The authorized, issued and fully paid share capital of J&T FINANCE GROUP SE as at 31 December 2017 consists of 10 ordinary shares with a par value of CZK 200 thousand, 13,778,752 ordinary shares with a par value of CZK 1 thousand and 1,999,556,188 ordinary shares with a par value of CZK 1. The shareholders are entitled to receive dividends and to one vote per share at meetings of the Company's shareholders.

(ii) Non-distributable reserves

Non-distributable reserves include the legal reserve fund of the Parent Company and post-acquisition increases in subsidiaries' legal reserves. The legal reserve fund can only be used to cover losses of the Company and it may not be distributed as a dividend. The calculation of the legal reserve is based on local statutory regulations.

Since 1 January 2014, the creation of a legal reserve fund in the Czech Republic is not required.

In Slovakia creation of a legal reserve fund is required at a minimum of 10% of net profit (annually) and up to a minimum of 20% of the registered share capital (cumulative balance).

In Russia creation of a legal reserve fund is required at a minimum of 5% of net profit (annually) up to a minimum of 5% of the registered share capital.

In Croatia creation of a legal reserve fund is required at a minimum of 5% of net profit (annually) and up to a minimum of 5% of the registered share capital.

(iii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Parent Company. In 2017 the main driver of the changes in the translation reserve was the appreciation of CZK.

(iv) Other reserves and funds

Other reserves comprise changes in the fair value of investment securities available for sale.

In 2016 J&T BANKA, a.s. sold to its investors subordinated unsecured certificates with nominal value of EUR 5 thousand and CZK 100 thousand and no maturity date in the amount of EUR 20,595 thousand. These instruments were disclosed as Other capital instruments in the condensed consolidated statement of changes in equity. These certificates bear a 9% or 10% annual yield, subject of approval, distributed quarterly from retained earnings, and are listed on the Prague Stock Exchange.

The issuance of this instrument, which combines characteristics of equity and debt instruments, was approved by the Czech National Bank ("CNB"). CNB stipulated that these instruments are equity instruments in line with IFRS and that they comply with the regulatory requirements to be recognised as additional capital AT1, part of regulatory capital tier 1 (see also Note 41.5. Capital management).

In 2016 J&T FINANCE GROUP SE also issued and sold subordinated unsecured certificates with nominal value of EUR 100 thousand and no maturity date in the amount of EUR 200,000 thousand. The whole emission was purchased by CEFC Hainan International Holdings CO., Ltd. These certificates bear a 9% (first 2 years) and 5% (subsequently) annual yield, subject of approval, distributed semi-annually from retained earnings. Following the approval by the Czech National Bank (CNB) on 21 April 2016, these instruments also comply with the requirements to be recognized as additional capital AT1.

In 2014, the Board of Directors of J&T BANKA, a.s. approved a new special purpose capital fund (Perpetuity fund), covering distribution of yield generated by the certificates described above. In 2016, another Perpetuity fund for distribution of yield from similar certificates was created by J&T FINANCE GROUP SE as well. Both funds are part of retained earnings and distribution of income from the funds complies with the prospectus of the capital instruments. The total amount of yield paid in 2017 was EUR 25,143 thousand (2016: EUR 16,754 thousand) and is presented as distribution of retained earnings in the consolidated statement of changes in equity.

37. NON-CONTROLLING INTERESTS

In thousand of EUR	**31 December 2017**	**31 December 2016**
Equity Holding, a.s.	31,931	19,568
J&T MINORITIES PORTFOLIO LIMITED	12,711	–
Poštová banka, a.s.	9,635	9,740
Chateau Teyssier (Société civile)	7,673	–
J&T REALITY otevřený podílový fond	4,947	5,097
J&T Banka d.d. (VABA d.d. banka Varaždin)	2,835	3,453
Poštová poisťovňa, a. s.	3,144	3,189
PBI, a.s.	–	2,054
Other	346	28
Total non-controlling interests	**73,222**	**43,129**

The following table summarizes the information relating to Equity Holding, a.s., Poštová banka, a.s., J&T MINORITIES PORTFOLIO LIMITED and other Group's subsidiaries that have material non-controlling interests before any intra-group eliminations:

31 December 2017

In thousand of EUR	Equity Holding, a.s.	J&T MINOR. PORT. LIMITED	Poštová banka, a.s.	Other individually immaterial subsidiaries	Total
Assets	57,588	22,758	4,350,728		
Liabilities	73	16	3,688,588		
Goodwill attributable to the Group	–	–	20,033		
Net assets excluding Goodwill attributable to the Group	**57,515**	**22,742**	**642,107**		
Non-controlling interest's percentage	62.04%	39.40%	1.54%		
Non-controlling interest	**35,682**	**8,960**	**9,635**		
Indirect non-controlling interest[9]	**(3,751)**	**3,751**	**–**		
Carrying amount of non-controlling interest	**31,931**	**12,711**	**9,635**	**18,945**	**73,222**
Revenue	2,622	149	222,170		
Profit	2,076	(482)	34,134		
Other comprehensive income	3,110	–	(13,518)		
Total comprehensive income	5,186	(482)	20,616		
Non-controlling interest's percentage	37.36%	0.00%	3.28%		
Profit (loss) allocated to non-controlling interest	**776**	**–**	**1,120**	**(556)**	**1,340**
Other comprehensive income allocated to non-controlling interest	**1,162**	**–**	**(443)**	**1,683**	**2,402**
Cash flows used in operating activities	(7)	(8)	388,293		
Cash flows from investing activities	7	–	70,952		
Cash flows used in financing activities	–	–	(15,097)		
Net increase (decrease) in cash and cash equivalents	**–**	**(8)**	**444,148**		

[9] The Group owns a 60.60% share in J&T MINORITIES PORTFOLIO LIMITED. J&T MINORITIES PORTFOLIO LIMITED further holds a 62.64% share in Equity Holding, a.s. Part of J&T MINORITIES PORTFOLIO LIMITED's investment into Equity Holding, a.s. (39.40%) is thus held by its non-controlling interests.

The non-controlling interest's percentage in J&T MINORITIES PORTFOLIO LIMITED (thus also in its subsidiary Equity Holding, a.s.) and Poštová banka, a.s. changed at the end of the year 2017, therefore the profit allocated to non-controlling interest and Other comprehensive income allocated to non-controlling interest was calculated using the average percentage that is very similar to the percentage prior to the transaction.

31 December 2016

In thousand of EUR	Equity Holding, a.s.	Poštová banka, a.s.	Other individually immaterial subsidiaries	Total
Assets	52,418	4,306,941		
Liabilities	42	3,671,080		
Goodwill attributable to the Group	–	20,033		
Net assets excluding Goodwill attributable to the Group	**52,376**	**615,828**		
Non-controlling interest's percentage	37.36%	3.28%		
Non-controlling interest		**20,223**		
Indirect non-controlling interest[10]		**(10,483)**		
Carrying amount of non-controlling interest	**19,568**	**9,740**	**13,821**	**43,129**
Revenue	2,501	189,988		
Profit	2,016	31,861		
Other comprehensive income	5	(3,391)		
Total comprehensive income	2,021	28,470		
Non-controlling interest's percentage	37.36%	1.54%–3.28%		
Profit (loss) allocated to non-controlling interest	753	620	(2,245)	(872)
Other comprehensive income allocated to non-controlling interest	**2**	**(113)**	**125**	**14**
Cash flows used in operating activities	**(10)**	**(76,345)**		
Cash flows from investing activities	–	129,298		
Cash flows used in financing activities	–	(38,422)		
Net increase (decrease) in cash and cash equivalents	**(10)**	**14,531**		

[10] The Group owns a 64.46% share in Poštová banka., a.s. through J&T FINANCE GROUP SE and another 32.26% share through the subsidiary PBI, a.s. The group owns a 94.88% share in PBI, a.s. Indirect non-controlling interest in Poštová banka, a.s. relates to the investment of PBI, a.s. in Poštová banka, a.s. held by minority shareholders of PBI, a.s. which is shown as part of non-controlling interest in PBI, a.s.

The non-controlling interest's percentage in Poštová banka, a.s. changed in May 2016. Therefore the profit allocated to the non-controlling interest and other comprehensive income allocated to the non-controlling interest was calculated using both percentages before and after acquisition.

Changes in non-controlling interests without a change in control

In July 2016, the Group increased the share capital of J&T Banka d.d. (VABA d.d. banka Varaždin) by HRK 76,000 thousand (EUR 10,159 thousand). As a result the ownership share increased from 76.81% to 82.55%. In July 2017 J&T Banka d.d. (VABA d.d. banka Varaždin) bought its own shares, which resulted in increase of the stake held by the Group by 0.21%.

In December 2017 J&T MINORITIES PORTFOLIO LIMITED issued new shares that were subscribed by Ivan Jakabovič and Jozef Tkáč for EUR 22,000 thousand. As a result, the ownership share of the Group decreased from 100.00% as at 31 December 2016 to 60.60% as at 31 Decembeer 2017.

J&T MINORITIES PORTFOLIO LIMITED further holds a 62.64% share in Equity Holding, a.s. and the Group's ownership in Equity Holding, a.s. in connection with the transaction described in the previous sentence decreased to 37.96%.

In May 2016, the Group sold a 5.12% share of its subsidiary PBI, a.s. The Group's interest in Poštová banka, a.s. held through the subsidiary PBI, a.s. has decreased as a result of the transaction.The total ownership interest in Poštová banka, a.s. has changed from 98.46% as at 31 December 2015 to 96.72% as at 31 December 2016. In December 2017 the Group purchased back the share of 5.12% in PBI, a.s. for EUR 1,200 thousand and increased the ownership interest in Poštová banka, a.s. to 98.46%.

The table below summarizes changes of non-controlling interests in those companies where no change in control occurred and does not include effect from disposed, newly purchased or established entities with non-controlling interests.

In thousand of EUR	**Equity Holding, a.s.**	**J&T MINOR. PORT. LIMITED**	**Poštová banka, a.s.**	**Other immaterial**	**Total**
Non-controlling interest at 1 January 2017	19,568	-	9,740	x	x
Change in Company's ownership interest	10,425	12,711	(554)	(3,358)	19,224
Dividends	-	-	(228)	(325)	(553)
Share of comprehensive income	1,938	-	677	1,127	3,742
Non-controlling interest at 31 December 2017	**31,931**	**12,711**	**9,635**	**x**	**x**

In thousand of EUR	**Poštová banka, a.s.**	**Other immaterial**	**Total**
Non-controlling interest at 1 January 2016	9,034	x	x
Change in Company's ownership interest	653	2,511	3,164
Dividends	(454)	(399)	(853)
Share of comprehensive income	507	(2,121)	(1,614)
Non-controlling interest at 31 December 2016	**9,740**	**x**	**x**

38. FAIR VALUE INFORMATION

The following table is a comparison of the carrying amounts and fair values of the Group's financial assets and liabilities that are not carried at fair value:

31 December 2017

In thousands of EUR	Carrying amount	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value	Total Fair value
FINANCIAL ASSETS					
Cash and cash balances at central banks	560,766	–	560,766	–	560,766
Investment securities held to maturity	305,388	297,330	25,874	518	323,722
Loans and advances to banks	2,396,824	–	2,396,299	–	2,396,299
Loans and advances to customers	5,611,146	–	–	5,796,702	5,796,702
Trade receivables and other financial assets under risk management	152,522	–	145,587	6,935	152,522
FINANCIAL LIABILITIES					
Deposits and loans from banks	934,519	–	933,027	–	933,027
Deposits and loans from customers	7,187,678	–	7,188,698	–	7,188,698
Debt securities issued	543,925	462,214	87,313	–	549,527
Subordinated debt	57,967	–	54,107	–	54,107
Other financial liabilities under risk management	355,538	–	355,538	–	355,538

31 December 2016

In thousands of EUR	Carrying amount	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value	Total Fair value
FINANCIAL ASSETS					
Cash and cash balances at central banks	1,232,940	–	1,232,940	–	1,232,940
Investment securities held to maturity	405,372	395,511	30,271	1,919	427,701
Loans and advances to banks	906,402	–	905,959	–	905,959
Loans and advances to customers	5,657,515	–	–	5,795,701	5,795,701
Trade receivables and other financial assets under risk management	162,951	–	162,673	278	162,951
FINANCIAL LIABILITIES					
Deposits and loans from banks	93,152	–	93,197	–	93,197
Deposits and loans from customers	7,476,864	–	7,460,424	–	7,460,424
Debt securities issued	596,774	531,911	78,594	–	610,505
Subordinated debt	56,402	–	53,133	–	53,133
Other financial liabilities under risk management	254,711	–	254,711	–	254,711

39. FINANCIAL COMMITMENTS AND CONTINGENCIES

In thousands of EUR	31 December 2017	31 December 2016
Accepted and endorsed bills of exchange	2,115	2,116
Granted guarantees	177,306	268,503
Pledged assets	205,756	192,745
Loan commitments	561,565	589,206
Total financial commitments and contingencies	**946,742**	**1,052,570**

The carrying value of pledged assets that are used as collateral for loan financing is EUR 205,756 thousand (2016: EUR 192,745 thousand). Granted guarantees mostly represent various guarantees issued in relation to loans, bills of exchange issued by other parties, lease contracts and other liabilities of third parties in amount of EUR 177,306 thousand (2016: EUR 268,503 thousand). These guarantees are disclosed in the table above at the amount of the possible obligation in the future. The maximum amount payable for guarantees given by the Group as at 31 December 2017 is EUR 284,327 thousand (2016: EUR 373,550 thousand). Loan commitments relate to loan facilities granted by the banks of the Group.

40. LEASES

40.1. OPERATING LEASE

(a) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of EUR	31 December 2017	31 December 2016
Less than one year	5,629	8,286
Between one and five years	15,825	18,705
More than five years	2,798	2,196
Total	**24,252**	**29,187**

The Group leases a number of cars and administration space under operating leases. The administration space leases typically run for an initial period of five to fifteen years, with an option to renew after that date. During the year ended 31 December 2017, EUR 14,258 thousand was recognized as an expense in the income statement in respect of operating leases (2016: EUR 12,911 thousand).

(b) Leases as lessor

The Group leases out its property under operating leases. Non-cancellable operating lease rentals are receivable as follows:

In thousands of EUR	31 December 2017	31 December 2016
Less than one year	535	784
Between one and five years	318	296
Total	**853**	**1,080**

During the year ended 31 December 2017, EUR 1,660 thousand was recognized as rental income (2016: EUR 2,273 thousand).

40.2. FINANCE LEASE

Leases as lessor

The Group offers to its clients finance lease for various assets (e.g. cars, machinery and equipments). The minimum lease payments under finance lease are as follows:

In thousands of EUR	31 December 2017	31 December 2016
GROSS RECEIVABLES FROM FINANCE LEASING		
less than 1 year	3,351	3,979
more than 1 year but less than 5 years	6,037	6,504
more than 5 years	1,378	983
Total	**10,766**	**11,466**
Deduction of future financial income	(1,490)	(1,788)
Present value of future leasing payments	**9,276**	**9,678**
PRESENT VALUE OF RECEIVABLES FROM FINANCE LEASING		
up to 1 year	3,663	3,821
more than 1 year but less than 5 years	5,341	5,573
more than 5 years	272	284
Present value of future leasing payments	**9,276**	**9,678**
Impairment loss allowances	(370)	(304)

41. RISK MANAGEMENT POLICIES AND DISCLOSURES

The Group has exposure to the following risks:

- credit risk
- liquidity risk
- market risk
- operational risks

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

For the purpose of this note, current tax assets are presented within trade receivables and other financial assets under risk management and current tax liability is presented within other financial liabilities under risk management.

41.1. CREDIT RISK

The Group's primary exposure to credit risk arises through its loans and advances provided. The maximum amount of credit exposure is represented by the respective carrying amounts in the statement of financial position. In addition, the Group is exposed to off-balance sheet credit risk through commitments to extend credit and financial guarantees (refer to Note 39. Financial commitments and contingencies). Most loans and advances are to corporates (companies from the non-financial sector, retail and various manufacturing companies). Further loans and advances are to banks and other financial institutions.

The carrying amount of loans and advances and the off-balance sheet amounts represent the maximum accounting loss that would be recognised on these items at the statement of financial position date if counterparties failed to perform completely as contracted and any collateral or security proved to be of no value. The Group's policy is to require suitable collateral to be provided by customers prior to the disbursement of loans by the Group.

The assessment of credit risk in respect of a counter-party or an issued debt is based on the Group's internal rating system, covering both external credit assessments by the S&P, Moody's or Fitch rating agencies, and the Group's internal scoring system.

The scoring system of the Group has seven degrees. It is based on a standardised point evaluation of relevant criteria, which describe the financial position of a contractual party and its ability to fulfil its credit obligations – in both cases including the expected development, quality and adequacy of the collateral, as well as proposed conditions for effecting the transaction. The internal rating is determined using the credit scale of S&P.

Credit risk in the banking entities of the Group is managed based on credit analysis and the Internal Rating Based (IRB) methodology.
The Group monitors concentrations of credit risk by sector and by geographic location.

(i) Concentration of credit risk by sector

31 December 2017

In thousands of EUR	Corporate	State, government	Financial institutions	Individuals	Other	Total
ASSETS						
Cash and cash balances at central banks	–	–	494,987	–	65,779	560,766
Financial assets for trading	115,786	87,279	65,430	268	–	268,763
Hedging derrivatives	–	–	317	–	–	317
Investment securities at fair value through profit or loss	5,613	–	5,264	–	–	10,877
Investment securities available for sale	259,363	463,517	298,298	–	–	1,021,178
Investment securities held to maturity	5,591	278,795	21,002	–	–	305,388
Loans and advances to banks	–	–	2,396,824	–	–	2,396,824
Loans and advances to customers	3,503,752	9	1,206,931	893,188	7,266	5,611,146
Trade receivables and other financial assets under risk management	105,057	6,955	31,758	7,149	1,603	152,522
Total	**3,995,162**	**836,555**	**4,520,811**	**900,605**	**74,648**	**10,327,781**
LIABILITIES (FOR INFORMATIONAL PURPOSES)						
Trading liabilities	469	1	25,052	1,341	15	26,878
Hedging derivatives	–	–	3,738	–	–	3,738
Deposits and loans from banks	–	–	934,519	–	–	934,519
Deposits and loans from customers	1,158,748	157,473	567,041	5,229,214	75,202	7,187,678
Debt securities issued	277,762	–	204,058	53,785	8,320	543,925
Subordinated debt	6,045	–	25,071	23,778	3,073	57,967
Other financial liabilities under risk management	142,263	12,858	44,357	145,735	10,325	355,538
Provision for insurance contracts	–	–	–	16,918	–	16,918
Total	**1,585,287**	**170,332**	**1,803,836**	**5,470,771**	**96,935**	**9,127,161**

31 December 2016

In thousands of EUR	Corporate	State, government	Financial institutions	Individuals	Other	Total
ASSETS						
Cash and cash balances at central banks	18	–	1,190,427	7	42,488	1,232,940
Financial assets for trading	67,881	91,621	24,621	210	384	184,717
Hedging derrivatives	–	–	3	–	–	3
Investment securities at fair value through profit or loss	437	–	4,088	–	–	4,525
Investment securities available for sale	233,055	567,844	476,501	–	–	1,277,400
Investment securities held to maturity	32,057	350,488	22,827	–	–	405,372
Loans and advances to banks	–	–	906,402	–	–	906,402
Loans and advances to customers	3,613,646	4	1,337,828	701,766	4,271	5,657,515
Trade receivables and other financial assets under risk management	103,533	6,658	49,517	2,844	399	162,951
Total	**4,050,627**	**1,016,615**	**4,012,214**	**704,827**	**47,542**	**9,831,825**
LIABILITIES (FOR INFORMATIONAL PURPOSES)						
Trading liabilities	747	–	8,915	281	213	10,156
Hedging derivatives	–	–	5, 406	–	–	5,406
Deposits and loans from banks	–	–	93,152	–	–	93,152
Deposits and loans from customers	1,052,679	148,249	363,866	5,840,089	71,981	7,476,864
Debt securities issued	267,904	–	158,389	53,795	116,686	596,774
Subordinated debt	6,144	–	25,020	22,334	2,904	56,402
Other financial liabilities under risk management	88,001	12,815	49,155	100,608	4,132	254,711
Provision for insurance contracts	–	–	–	13,798	–	13,798
Total	**1,415,475**	**161,064**	**703,903**	**6,030,905**	**195,916**	**8,507,263**

(ii) Concentration of credit risk by location

31 December 2017

In thousands of EUR	Slovakia	Czech Republic	Cyprus	Croatia	Russia	Other	Total
ASSETS							
Cash and cash balances at central banks	108,570	413,220	–	29,909	9,067	–	560,766
Financial assets for trading	91,361	90,349	1,659	–	45,310	40,084	268,763
Hedging derivatives	–	–	–	–	–	317	317
Investment securities measured at fair value through profit or loss	8,584	–	–	–	–	2,293	10,877
Investment securities available for sale	370,765	138,799	716	19,604	10,139	481,155	1,021,178
Investment securities held to maturity	291,320	–	–	–	–	14,068	305,388
Loans and advances to banks	15,994	2,266,086	–	987	49,178	64,579	2,396,824
Loans and advances to customers	2,226,323	1,221,059	1,272,157	112,749	100,067	678,791	5,611,146
Trade receivables and other financial assets under risk management	77,989	40,130	14,683	475	1,008	18,237	152,522
Total	**3,190,906**	**4,169,643**	**1,289,215**	**163,724**	**214,769**	**1,299,524**	**10,327,781**
LIABILITIES (FOR INFORMATIONAL PURPOSES)							
Trading liabilities	87	3,458	398	–	28	22,907	26,878
Hedging derivatives	–	1,297	–	–	–	2,441	3,738
Deposits and loans from banks	120,719	2,922	–	3,814	–	807,064	934,519
Deposits and loans from customers	4,372,950	2,016,285	157,552	104,770	171,279	364,842	7,187,678
Debt securities issued	194,104	295,507	–	–	–	54,314	543,925
Subordinated debt	42	27,148	3,002	602	–	27,173	57,967
Other financial liabilities under risk management	69,385	158,175	53,395	848	2,887	70,848	355,538
Provision for insurance contracts	16,918	–	–	–	–	–	16,918
Total	**4,774,205**	**2,504,792**	**214,347**	**110,034**	**174,194**	**1,344,248**	**9,127,160**

31 December 2016

In thousands of EUR	Slovakia	Czech Republic	Cyprus	Croatia	Russia	Other	Total
ASSETS							
Cash and cash balances at central banks	400,135	783,110	–	30,822	18,873	–	1,232,940
Financial assets for trading	44,910	85,540	1,256	–	33,197	19,814	184,717
Hedging derivatives	–	–	–	–	–	3	3
Investment securities measured at fair value through profit or loss	1,282	–	–	–	–	3,243	4,525
Investment securities available for sale	411,815	417,046	5,330	29,908	8,667	404,634	1,277,400
Investment securities held to maturity	370,549	–	–	–	–	34,823	405,372
Loans and advances to banks	16,701	754,628	–	5,750	51,613	77,710	906,402
Loans and advances to customers	1,955,006	999,230	1,673,956	125,114	102,927	801,282	5,657,515
Trade receivables and other financial assets under risk management	78,072	32,067	20,706	554	665	30,887	162,951
Total	**3,278,470**	**3,071,621**	**1,701,248**	**192,148**	**215,942**	**1,372,396**	**9,831,825**
LIABILITIES (FOR INFORMATIONAL PURPOSES)							
Trading liabilities	1,267	1,578	–	–	13	7,298	10,156
Hedging derivatives	–	1,790	149	–	–	3,467	5,406
Deposits and loans from banks	81,176	3,419	–	8,277	–	280	93,152
Deposits and loans from customers	4,303,825	2,359,209	77,249	145,681	181,959	408,941	7,476,864
Debt securities issued	197,979	346,849	–	–	200	51,746	596,774
Subordinated debt	40	25,649	3,002	590	–	27,121	56,402
Other financial liabilities under risk management	57,136	125,986	25,914	2,122	1,639	41,914	254,711
Provision for insurance contracts	13,798	–	–	–	–	–	13,798
Total	**4,655,221**	**2,864,480**	**106,314**	**156,670**	**183,811**	**540,767**	**8,507,263**

The above table displays the credit risk by the country of incorporation of the debtor or issuer of the securities.

Securities available for sale in the location Other also include as at 31 December 2017 an investment of EUR 99,659 thousand in Polish government bonds (2016: EUR 124,382 thousand) and an investment of EUR 142,669 thousand in investment funds incorporated in Malta (2016: EUR 28,915 thousand).

Investment securities held to maturity in the location Other include as at 31 December 2017 investment of EUR 5,070 in Italian goverment bonds and no investment in MOL Hungarian Oil and Gas bonds (2016: EUR 22,820 thousand in MOL Hungarian Oil and Gas bonds).

Loans and advances to customers in the location Other primarily relates to companies and customers incorporated in the Luxembourg, in the Netherlands, in Switzerland and in Malta (2016: companies and customers incorporated primarily in Luxembourg, in the Netherlands, in Poland and in Switzerland).

In addition, Deposits and loans from customers in the location Other primarily relate to companies and customers incorporated in the Netherlands and in Germany (2016: companies and customers incorporated primarily in Germany and in Switzerland).

(iii) Credit risk impairment of financial assets

31 December 2017

In thousands of EUR	Financial asets for trading	Hedging derivatives	Investment securities measured at fair value through profit or loss	Financial assets available for sale	Investment securities held to maturity	Loans and advances to banks	Loans and advances to customers	Trade receivables and other financial assets under risk management
Maximum exposure to credit risk	268,763	317	10,877	1,021,178	305,388	2,396,824	5,611,146	152,522
Carrying amount								
A) ASSETS FOR WHICH A PROVISION HAS BEEN CREATED								
– Gross	–	–	–	–	513	–	680,878	18,935
– Provision individual	–	–	–	–	(2)	–	(170,893)	(11,181)
– Provision collective	–	–	–	–	–	–	(107,710)	(819)
Impaired total (net)	**–**	**–**	**–**	**–**	**511**	**–**	**402,275**	**6,935**
B) OVERDUE ASSETS FOR WHICH A PROVISION HAS NOT BEEN CREATED								
– <30 days	–	–	–	–	–	–	7,529	4,501
– 31-180 days	–	–	–	–	–	–	3,049	1,768
– 181-365 days	–	–	–	–	–	–	32	172
– >365 days	–	–	–	–	–	–	1,934	668
Total	**–**	**–**	**–**	**–**	**–**	**–**	**12,544**	**7,109**

Loans and advances to customers overdue more than one year but with no provision created mainly consist of receivables acquired through business combination in 2014 and 2013 and were recognized at their fair value as at the date of acquisition. The loans and advances are sufficiently collateralized, thus no impairment allowances have been created.

31 December 2016

In thousands of EUR	Financial asets for trading	Hedging derivatives	Investment securities measured at fair value through profit or loss	Financial assets available for sale	Investment securities held to maturity	Loans and advances to banks	Loans and advances to customers	Trade receivables and other financial assets under risk management
Maximum exposure to credit risk	184,717	3	4,525	1,277,400	405,372	906,402	5,657,515	162,951
Carrying amount								
A) ASSETS FOR WHICH A PROVISION HAS BEEN CREATED								
– Gross	–	–	–	1,843	–	–	612,953	6,947
– Provision individual	–	–	–	(11)	–	–	(143,055)	(6,476)
– Provision collective	–	–	–	–	–	–	(102,711)	(1,321)
Impaired total (net)	**–**	**–**	**–**	**1,832**	**–**	**–**	**367,187**	**(850)**
B) OVERDUE ASSETS FOR WHICH A PROVISION HAS NOT BEEN CREATED								
– <30 days	–	–	–	–	–	–	4,877	4,749
– 31-180 days	–	–	–	–	–	–	2,731	980
– 181-365 days	–	–	–	–	–	–	2,966	697
– >365 days	–	–	–	–	–	–	1,661	663
Total	**–**	**–**	**–**	**–**	**–**	**–**	**12,235**	**7,089**

(iv) Credit risk – collaterals

The Group holds collateral against loans and advances to customers mainly in the form of pledges, securities and acceptances of bills of exchange. Collaterals are used as assets that can be realized in the event of failure of the primary source of repayment of debts. The Group does not generally use non-cash collateral for its own operations.

Loans and advances to customers are secured by collateral with the fair values below:

In thousands of EUR	31 December 2017 Fair value	31 December 2017 Carrying amount	31 December 2016 Fair value	31 December 2016 Carrying amount
Securities	4,206,774	3,923,378	1,935,385	1,724,191
Real estate	1,012,518	708,875	910,019	684,057
Bills of exchange	144,599	123,206	114,062	90,315
Cash deposits	86,004	85,609	91,897	90,582
Other	716,341	423,239	738,802	519,412
Total	**6,166,236**	**5,264,307**	**3,790,165**	**3,108,557**

As at 31 December 2017 collateral in the amount of EUR 1,278,003 thousand received by the Group was further used within repurchase operations (2016: EUR 165 thousand).

In 2017 the Group has taken possession of no collateral held previously as security (2016: EUR 253 thousand).

(v) Credit risk – forbearance

Exposure forbearance

In thousands of EUR	31 December 2017	31 December 2016
Performing exposition	5,147,439	5,084,782
– performing exposure forbearance	127,698	130,197
Non-performing exposition	463,707	572,733
– non-performing exposure forbearance	175,296	207,843
Total	**5,611,146**	**5,657,515**

The share of loan exposure forbearance on total loans and advances to customers is 5.40% (2016: 5.98%).

Concentration of loans and advances to customers by economic sector

In thousands of EUR	31 December 2017	31 December 2016
NOT FORBORNE		
Non-financial organisations	3,238,316	3,301,669
Financial organisations	1,202,476	1,332,897
Households	860,215	682,550
Other	7,145	2,359
Total	**5,308,152**	**5,319,475**
FORBORNE		
Non-financial organisations	265,438	311,773
Financial organisations	4,584	5,192
Households	32,972	19,215
Other	–	1,860
Total	**302,994**	**338,040**

41.2. LIQUIDITY RISK

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of not being able to meet the Group's obligations when they fall due, as well as the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

Various methods of managing liquidity risks are used by individual companies in the Group, including individual monitoring of large deposits. The individual banks in the Group manage their liquidity risk through their financial market divisions, which receive information from other departements regarding the liquidity profile of their financial assets and liabilities and details about other projected cash flows arising from expected future projects.

The Group's management focuses on methods used by financial institutions, that is, diversification of sources of funds. This diversification makes the Group flexible and limits its dependency on one financing source. Liquidity risk is evaluated in particular by monitoring changes in the structure of financing and comparing these changes with the Group's liquidity risk management strategy. The responsible risk managers then maintain portfolio of short-term liquid assets, made up of loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The Group also holds, as part of its liquidity risk management strategy, a portion of its assets in highly liquid funds. Furthermore, the Group has at its disposal sufficient amount of bonds that are, if necessary, acceptable for acquiring additional resources through refinancing operations organized by some of the central banks in the countries where the Group operates.

In managing liquidity risk the Group promotes a conservative and prudent approach to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation.

The measures used by the Group for managing liquidity risk are e.g. the ratio of highly liquid assets or liquidity coverage ratio.

The table below provides an analysis of assets and liabilities into relevant contractual maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. Expected maturities differ from contracted ones as historical evidence shows that most short-term loans and deposits are prolonged. The analysis is presented under the most prudent consideration of maturity dates, where options or repayment schedules allow for early repayment possibilities. Therefore, in the case of liabilities, the earliest possible repayment date is shown while for assets the latest possible repayment date is disclosed.

(i) Contractual maturities of financial assets and liabilities

31 December 2017

In thousands of EUR	**Less than 1 year**	**More than 1 year**	**Undefined**	**Total**
FINANCIAL ASSETS				
Cash and cash balances at central banks	472,277	–	88,489	560,766
Financial assets for trading	61,252	188,825	18,686	268,763
Hedging derivatives	317	–	–	317
Investment securities measured at fair value through profit or loss	–	–	10,877	10,877
Investment securities available for sale	179,957	592,390	248,831	1,021,178
Investment securities held to maturity	22,210	283,178	–	305,388
Loans and advances to banks	2,396,824	–	–	2,396,824
Loans and advances to customers	1,705,834	3,905,312	–	5,611,146
Trade receivables and other financial assets under risk management	151,422	1,100	–	152,522
Total	**4,990,093**	**4,970,805**	**366,883**	**10,327,781**

In thousands of EUR	**Less than 1 year**	**More than 1 year**	**Undefined**	**Total**
FINANCIAL LIABILITIES				
Trading liabilities	(26,425)	(453)	–	(26,878)
Hedging derivatives	(1,138)	(2,600)	–	(3,738)
Deposits and loans from banks	(899,320)	(35,199)	–	(934,519)
Deposits and loans from customers	(6,541,254)	(646,424)	–	(7,187,678)
Debt securities issued	(183,832)	(360,093)	–	(543,925)
Subordinated debt	(988)	(56,979)	–	(57,967)
Other financial liabilities under risk management	(354,824)	(714)	–	(355,538)
Provision for insurance contracts	(1,227)	(15,691)	–	(16,918)
Total	**(8,009,008)**	**(1,118,153)**	**–**	**(9,127,161)**

31 December 2016

In thousands of EUR	Less than 1 year	More than 1 year	Undefined	Total
FINANCIAL ASSETS				
Cash and cash balances at central banks	811,876	–	421,064	1,232,940
Financial assets for trading	12,517	151,043	21,157	184,717
Hedging derivatives	3	–	–	3
Investment securities measured at fair value through profit or loss	–	–	4,525	4,525
Investment securities available for sale	130,027	760,385	386,988	1,277,400
Investment securities held to maturity	105,813	299,559	–	405,372
Loans and advances to banks	906,402	–	–	906,402
Loans and advances to customers	2,439,194	3,218,321	–	5,657,515
Trade receivables and other financial assets under risk management	161,723	1,228	–	162,951
Total	**4,567,555**	**4,430,536**	**833,734**	**9,831,825**

In thousands of EUR	Less than 1 year	More than 1 year	Undefined	Total
FINANCIAL LIABILITIES				
Trading liabilities	(9,802)	(354)	–	(10,156)
Hedging derivatives	(1,581)	(3,825)	–	(5,406)
Deposits and loans from banks	(86,943)	(6,209)	–	(93,152)
Deposits and loans from customers	(6,282,591)	(1,194,273)	–	(7,476,864)
Debt securities issued	(219,865)	(376,909)	–	(596,774)
Subordinated debt	(774)	(55,628)	–	(56,402)
Other financial liabilities under risk management	(253,899)	(812)	–	(254,711)
Provision for insurance contracts	(1,613)	(12,185)	–	(13,798)
Total	**(6,857,068)**	**(1,650,195)**	**–**	**(8,507,263)**

(ii) Contractual maturities of financial liabilities, including estimated interest payments (undiscounted cash flow)

31 December 2017

In thousands of EUR	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined maturity
NON-DERIVATIVE FINANCIAL LIABILITIES							
Trading liabilities	5,184	(5,184)	(5,184)	–	–	–	–
Hedging derivatives	–	–	–	–	–	–	–
Deposits and loans from banks	934,519	(939,514)	(832,524)	(69,451)	(36,314)	(1,225)	–
Deposits and loans from customers	7,187,678	(7,226,820)	(5,201,953)	(1,354,178)	(634,025)	(36,664)	–
Debt securities issued	543,925	(579,083)	(8,325)	(191,168)	(379,590)	–	–
Subordinated debt	57,967	(71,332)	(800)	(2,617)	(62,040)	(5,875)	–
Other financial liabilities under risk management	355,537	(355,521)	(329,830)	(24,969)	(579)	(143)	–
Provision for insurance contracts	16,918	(16,918)	(535)	(692)	(2,835)	(12,856)	–
Total	**9,101,728**	**(9,194,372)**	**(6,379,151)**	**(1,643,075)**	**(1,115,383)**	**(56,763)**	**–**
Accepted and endorsed bills of exchange	2,115	(3,801)	–	–	(3,801)	–	–
Granted guarantees	177,306	(308,268)	(82,187)	(25,006)	(176,787)	(14,122)	(10,166)
Loan commitments	561,565	(861,375)	(509,787)	(129,815)	(210,254)	(8,846)	(2,673)
	740,986	**(1,173,444)**	**(591,974)**	**(154,821)**	**(390,842)**	**(22,968)**	**(12,839)**
Total	**9,842,714**	**(10,367,816)**	**(6,971,125)**	**(1,797,896)**	**(1,506,225)**	**(79,731)**	**(12,839)**
DERIVATIVE FINANCIAL LIABILITIES							
Forward currency contracts							
– outflow	21,583	(520,462)	(228,366)	(291,642)	(452)	(2)	–
– inflow	–	498,879	223,333	275,546	–	–	–
Other derivatives							
– outflow	3,849	(3,850)	(233)	(1,018)	(2,562)	(37)	–
– inflow	–	–	–	–	–	–	–
Total	**25,432**	**(25,433)**	**(5,266)**	**(17,114)**	**(3,014)**	**(39)**	**–**

31 December 2016

In thousands of EUR	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined maturity
NON-DERIVATIVE FINANCIAL LIABILITIES							
Trading liabilities	4,328	(4,328)	(4,328)	–	–	–	–
Hedging derivatives	–	–	–	–	–	–	–
Deposits and loans from banks	93,152	(78,715)	(25,697)	(46,297)	(4,857)	(1,864)	–
Deposits and loans from customers	7,476,864	(7,547,463)	(4,867,682)	(1,409,043)	(1,257,202)	(13,536)	–
Debt securities issued	596,774	(649,360)	(2,884)	(233,840)	(363,325)	(49,311)	–
Subordinated debt	56,402	(72,417)	(664)	(2,404)	(34,290)	(35,059)	–
Other financial liabilities under risk management	254,711	(254,672)	(234,160)	(19,700)	(664)	(148)	–
Provision for insurance contracts	13,798	(13,798)	(763)	(850)	(1,897)	(10,288)	–
Total	**8,496,029**	**(8,620,753)**	**(5,136,178)**	**(1,712,134)**	**(1,662,235)**	**(110,206)**	–
Accepted and endorsed bills of exchange	2,116	(3,801)	–	–	–	(3,801)	–
Granted guarantees	268,503	(373,550)	(335,779)	(8,563)	(29,208)	–	–
Loan commitments	589,206	(670,696)	(591,793)	(62,350)	(13,463)	(1,306)	(1,784)
	859,825	**(1,048,047)**	**(927,572)**	**(70,913)**	**(42,671)**	**(5,107)**	**(1,784)**
Total	**9,355,854**	**(9,668,800)**	**(6,063,750)**	**(1,783,047)**	**(1,704,906)**	**(115,313)**	**(1,784)**
DERIVATIVE FINANCIAL LIABILITIES							
Forward currency contracts							
– outflow	6,017	(93,107)	(11,627)	(81,057)	(423)	–	–
– inflow	–	87,050	6,946	80,104	–	–	–
Other derivatives							
– outflow	5,217	(5,217)	(480)	(941)	(3,471)	(325)	–
– inflow	–	–	–	–	–	–	–
Total	**11,234**	**(11,274)**	**(5,161)**	**(1,894)**	**(3,894)**	**(325)**	–

41.3. MARKET RISK

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor’s/issuer’s credit standing) will affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group separates its exposure to market risk between the trading and non-trading portfolios. Trading portfolios include positions arising from market making and position taking, together with financial assets and liabilities that are managed on a fair value basis.

The Group uses the Value at Risk (”VaR”) methodology to evaluate market risk on its trading portfolio as a whole using a confidence level of 99% and a horizon of 10 business days. A historical simulation method is implemented for VaR calculation. The Group performs backtesting for market risk associated with its trading portfolio, by applying a method of hypothetical backtesting, on a quarterly basis.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

– A 10-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
– A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one per-

cent probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The VaR measure is dependent on the Group's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

In thousands of EUR	31 December 2017	31 December 2016
VaR market risk overall	18,295	9,632
VaR interest risk	12,646	10,096
VaR FX risk	9,109	1,616
VaR stock risk	567	1,716

(i) Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk.

The Group uses various methods for management of interest rate risk. The Group continuously uses asset-liability management in its interest risk management. When purchasing bonds, the current interest position of the Group is taken into account which then serves as a basis for the purchase of fixed or variable bonds. The Group uses interest swaps to hedge interest rates in fixed bonds in its available-for-sale portfolio.

The priorities of the Group for interest rate risk management of liabilities comprise:
- Stability of deposits, especially over longer time periods,
- Fast and flexible reactions to significant changes in inter-bank interest rates through adjustments to interest rates on deposit products,
- Continuously evaluating interest rate levels offered to clients compared to competitors and actual and expected development of interest rates on the local market,
- Managing the structure of liabilities in compliance with the expected development of money market rates in order to optimize interest revenues and minimize interest rate risk.

The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that reprice to a market rate of interest before maturity, the next repricing date. Those assets and liabilities that do not have a contractual maturity date or are non interest-bearing are grouped together in the "maturity undefined" category.

The VaR statistics for the trading portfolio is as follows:

In thousands of EUR	31 December 2017	31 December 2016
VaR interest rate risk	12,646	10,096

A summary of the Group´s interest rate gap position as per the carrying amounts is as follows:

31 December 2017

In thousands of EUR	**Up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Undefined**	**Total**
ASSETS						
Cash and cash balances at central banks	434,668	–	–	–	126,098	560,766
Financial assets for trading	34,030	29,317	101,637	81,822	21,957	268,763
Hedging derivatives	–	317	–	–	–	317
Investment securities measured at fair value through profit or loss	–	–	–	–	10,877	10,877
Investment securities available for sale	38,946	225,745	469,105	35,056	252,326	1,021,178
Investment securities held to maturity	21,001	12,149	191,999	66,575	13,664	305,388
Loans and advances to banks	2,373,581	2,341	–	–	20,902	2,396,824
Loans and advances to customers	587,450	1,644,184	1,968,724	753,550	657,239	5,611,146
Trade receivables and other financial assets under risk management	41,785	3,375	549	–	106,813	152,522
Total	**3,531,461**	**1,917,428**	**2,732,014**	**937,003**	**1,209,876**	**10,327,781**
LIABILITIES						
Trading liabilities	5,144	7,579	453	–	13,702	26,878
Hedging derivatives	122	1,016	2,562	37	1	3,738
Deposits and loans from banks	844,546	62,322	21,108	1,411	5,132	934,519
Deposits and loans from customers	4,924,469	1,211,419	610,007	31,742	410,041	7,187,678
Debt securities issued	7,537	176,218	360,144	–	26	543,925
Subordinated debt	27,588	242	29,311	826	–	57,967
Other financial liabilities under risk management	14,570	2,153	204	–	338,611	355,538
Provision for insurance contracts	–	2,094	1,966	12,858	–	16,918
Total	**5,823,976**	**1,463,043**	**1,025,755**	**46,874**	**767,513**	**9,127,161**

31 December 2016

In thousands of EUR	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined	Total
ASSETS						
Cash and cash balances at central banks	1,148,289	–	–	–	84,651	1,232,940
Financial assets for trading	161,593	–	–	–	23,124	184,717
Hedging derivatives	3	–	–	–	–	3
Investment securities measured at fair value through profit or loss	–	–	–	–	4,525	4,525
Investment securities available for sale	113,674	96,757	525,687	154,294	386,988	1,277,400
Investment securities held to maturity	54,824	76,932	192,279	63,245	18,092	405,372
Loans and advances to banks	898,511	2,377	–	–	5,514	906,402
Loans and advances to customers	1,059,059	2,827,640	1,005,100	232,608	533,108	5,657,515
Trade receivables and other financial assets under risk management	36,843	859	–	–	125,249	162,951
Total	**3,472,796**	**3,004,565**	**1,723,066**	**450,147**	**1,181,251**	**9,831,825**
LIABILITIES						
Trading liabilities	5,043	1,125	69	–	3,919	10,156
Hedging derivatives	310	5	29	–	5,062	5,406
Deposits and loans from banks	45,929	40,391	4,669	1,652	511	93,152
Deposits and loans from customers	4,549,428	1,385,002	1,214,486	10,352	317,596	7,476,864
Debt securities issued	3,259	216,648	329,867	–	47,000	596,774
Subordinated debt	27,488	229	25,116	3,569	–	56,402
Other financial liabilities under risk management	9,437	495	93	–	244,686	254,711
Provision for insurance contracts	1,033	1,006	1,470	9,878	411	13,798
Total	**4,641,927**	**1,644,901**	**1,575,799**	**25,451**	**619,185**	**8,507,263**

An analysis of the Group's sensitivity to an increase or decrease in market interest rates on the non-trading portfolio, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

In thousands of EUR	Impact on Profit or Loss 31 December 2017	Impact on Profit or Loss 31 December 2016	Impact on Other Comprehensive Income 31 December 2017	Impact on Other Comprehensive Income 31 December 2016
decrease in interest rates by 100 bp	55,721	8,656	12 218	18,981
increase in interest rates by 100 bp	(55,721)	(8,656)	(12 218)	(18,981)

In thousands of EUR	Total impact on Equity 31 December 2017	Total impact on Equity 31 December 2016
decrease in interest rates by 100 bp	67,939	27,637
increase in interest rates by 100 bp	(67,939)	(27,637)

(ii) Foreign exchange risk

The breakdown of the carrying amounts by currency translated to thousands EUR is as follows:

31 December 2017

In thousands of EUR	EUR	CZK	USD	HRK	Other	Total
ASSETS						
Cash and cash balances at central banks	113,826	413,297	1,430	23,768	8,445	560,766
Financial assets for trading	94,298	104,655	15,419	–	54,391	268,763
Hedging derivatives	–	317	–	–	–	317
Investment securities measured at fair value through profit or loss	8,261	–	2,616	–	–	10,877
Investment securities available for sale	869,617	61,525	63,064	11,951	15,021	1,021,178
Investment securities held to maturity	305,388	–	–	–	–	305,388
Loans and advances to banks	80,547	2,251,399	13,745	75	51,058	2,396,824
Loans and advances to customers	4,058,298	1,371,373	87,091	24,471	69,913	5,611,146
Trade receivables and other financial assets under risk management	95,177	34,888	20,463	382	1,612	152,522
Total	**5,625,412**	**4,237,454**	**203,828**	**60,647**	**200,440**	**10,327,781**
Off balance sheet assets	2,584,739	2,416,989	60,909	2,167	125,090	5,189,894
LIABILITIES						
Trading liabilities	4,226	22,624	–	–	28	26,878
Hedging derivatives	3,738	–	–	–	–	3,738
Deposits and loans from banks	137,742	794,477	69	2,225	6	934,519
Deposits and loans from customers	4,816,086	2,054,363	129,723	39,763	147,743	7,187,678
Debt securities issued	268,033	275,892	–	–	–	543,925
Subordinated debt	30,905	27,062	–	–	–	57,967
Other financial liabilities under risk management	100,681	211,757	33,413	860	8,826	355,537
Provision for insurance contracts	16,918	–	–	–	–	16,918
Total	**5,378,329**	**3,386,175**	**163,205**	**42,848**	**156,603**	**9,127,160**
Off balance sheet liabilities	2,580,353	1,774,727	79,539	34,334	67,065	4,536,018
Net position (including Off balance sheet)	251,469	1,493,541	21,993	(14,368)	101,862	1,854,497

31 December 2016

In thousands of EUR	EUR	CZK	USD	HRK	Other	Total
ASSETS						
Cash and cash balances at central banks	422,765	764,915	1,410	24,862	18,988	1,232,940
Financial assets for trading	46,800	90,342	6,155	–	41,420	184,717
Hedging derivatives	–	3	–	–	–	3
Investment securities measured at fair value through profit or loss	1,914	–	2,611	–	–	4,525
Investment securities available for sale	1,145,826	40,337	55,227	13,979	22,031	1,277,400
Investment securities held to maturity	403,540	–	1,832	–	–	405,372
Loans and advances to banks	96,235	754,953	19,861	161	35,192	906,402
Loans and advances to customers	4,173,105	1,289,532	94,003	9,765	91,110	5,657,515
Trade receivables and other financial assets under risk management	113,634	26,621	21,280	490	926	162,951
Total	**6,403,820**	**2,966,703**	**202,379**	**49,257**	**209,666**	**9,831,825**
Off balance sheet assets	2,322,795	1,447,016	161,724	7,615	111,873	4,051,023
LIABILITIES						
Trading liabilities	738	9,418	–	–	–	10,156
Hedging derivatives	5,064	342	–	–	–	5,406
Deposits and loans from banks	85,307	1,897	77	5,871	–	93,152
Deposits and loans from customers	4,759,679	2,328,754	164,266	48,657	175,508	7,476,864
Issued bonds	270,417	326,209	–	–	148	596,774
Subordinated debt	30,841	25,561	–	–	–	56,402
Other financial liabilities under risk management	81,965	147,839	16,728	2,048	6,131	254,711
Provision for insurance contracts	13,798	–	–	–	–	13,798
Total	**5,247,808**	**2,840,019**	**181,071**	**56,576**	**181,788**	**8,507,262**
Off balance sheet liabilities	2,272,379	715,073	191,353	36,648	51,644	3,267,097
Net position (including Off balance sheet)	1,206,429	858,627	(8,325)	(36,352)	88,110	2,108,489

Off balance sheet items mostly relate to derivative operations and granted and received guarantees.

The VaR statistic is as follows:

In thousands of EUR	31 December 2017	31 December 2016
VaR foreign exchange risk	9,109	1,616

An analysis of the Group's sensitivity to an increase or decrease in foreign exchange rates is presented in the table below.

Translation risk arising from translating the financial statements of a foreign operation into the presentation currency of the Group, does not meet the definition of currency risk. Consequently, translation risk should not be included in the sensitivity analysis. However, foreign currency denominated inter-company receivables and payables that do not form part of a net investment in a foreign operation are included in the sensitivity analysis for foreign currency risks, because even though the balances eliminate in the consolidated balance sheet, the effect on profit or loss of their revaluation is not fully eliminated.

A one percent strengthening in foreign currencies would have had the following effects on profit or loss and other comprehensive income:

In thousands of EUR	Impact on Profit or Loss 31 December 2017	Impact on Profit or Loss 31 December 2016	Impact on Other Comprehensive Income 31 December 2017	Impact on Other Comprehensive Income 31 December 2016
EUR	(4,187)	(6,215)	(957)	(1,756)
CZK	(8,764)	(4,198)	–	–
USD	(287)	(170)	(16)	–
RUB	70	53	–	–

In thousands of EUR	Total impact on Equity 31 December 2017	Total impact on Equity 31 December 2016
EUR	(5,144)	(7,971)
CZK	(8,764)	(4,198)
USD	(303)	(170)
RUB	70	53

(iii) Equity price risk

Equity price risk arises from the quoted financial instruments held by the Group, further to changes in perception by the markets of the expected financial performance of the investments concerned. Equity price risk is essentially managed through diversification of the investment portfolio of available for sale and fair value through profit or loss equity securities.

The VaR statistics is as follows:

In thousands of EUR	31 December 2017	31 December 2016
VaR stock risk (trading book)	567	1,716

A 100 bp increase in the price of non-derivative financial assets at fair value through profit or loss would have had a positive effect on profit or loss as set out below. A 100 bp increase in the price of financial assets available for sale would have had a positive effect on other comprehensive income as set out below. A 100 bp decrease in price would have had an equal but opposite effect on profit or loss and other comprehensive income.

In thousands of EUR	Impact on Profit or Loss 31 December 2017	Impact on Profit or Loss 31 December 2016	Impact on Other Comprehensive Income 31 December 2017	Impact on Other Comprehensive Income 31 December 2016
Level 1 – quoted market prices	204	233	118	155
Level 2 – derived from quoted prices	13	6	2,127	3,662
Level 3 – calculated using valuation techniques	80	18	244	53
Total	**297**	**257**	**2,489**	**3,870**

In thousands of EUR	Total impact on Equity 31 December 2017	Total impact on Equity 31 December 2016
Level 1 – quoted market prices	322	388
Level 2 – derived from quoted prices	2,140	3,668
Level 3 – calculated using valuation techniques	324	71
Total	**2,786**	**4,127**

41.4. OPERATIONAL RISK

Operational risk is the risk of loss arising from fraud, unauthorised activities, error, omission, inefficiency or system failure. It arises from all the Group's activities and is a risk faced by all business organisations. Operational risk includes legal risk.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and avoid control procedures that would restrict initiative and creativity.

The primary responsibility for the implementation of controls to address operational risk is assigned to management within each subsidiary. This responsibility is supported by the development of overall standards within the Group for the management of operational risk which is done by the Risk Management Department and which cover the following areas:

– Requirements for the reconciliation and monitoring of transactions.
– Identification of operational risk within the framework of each subsidiary's control system and development of conditions for decreasing and limiting operational risk (while the required level of activities is secured), as well as its impacts and consequences; recommendations for appropriate solutions in this area.
– Reporting of operational risk events by entering the corresponding information into the Regulated Consolidated Group's database of operational risk events (see Note 41.5. Capital management section regarding the definition of the Regulated Consolidated Group).
– This overview of the Group's operational risk events allows the Group to specify the direction of the steps and processes to take in order to limit these risks, as well as to make decisions with regard to:
  – accepting the individual risks that are faced;
  – initiating processes leading to limitation of possible impacts; or
  – decreasing the scope of the relevant activity or discontinuing it entirely.

41.5. CAPITAL MANAGEMENT

The Group's policy is to hold a strong capital base so as to maintain creditor and market confidence and to sustain future development of its business.

Consolidated capital adequacy is calculated in accordance with Regulation (EU) No 575/2013 of the European Parliament and Council Regulation (CRR) of 23 June 2013 as from 1 January 2014. Until 31 December 2013 it was calculated in accordance with regulation of the Central Bank of the Czech Republic Decree No. 123/2007 Coll.

The Consolidated Group's capital is analysed into two tiers:

– Tier 1 capital, which is divided into:
  1. Common Equity Tier 1 capital (CET1), which includes paid-up ordinary share capital, share premium, retained earnings (profit of current year is excluded), accumulated other comprehensive income and non-controlling interests after deduction of goodwill and intangible assets and additional value adjustments;
  2. Additional Tier 1 capital (AT1), which can include qualifying perpetual instruments issued in accordance with CRR (see Note 34. Shareholders' equity)
– Tier 2 capital, which includes qualifying subordinated liabilities.

The Regulated Consolidated Group (RCG) is defined for the purposes of the prudential rules on a consolidated basis by the Czech Act on Banks No. 21/1992 Decree No. 163/2014 Coll. and CRR. According to this regulations, the financial holding group of the ultimate shareholders of J&T FINANCE GROUP SE as from 1 January 2014 is defined as the RCG. Different consolidation rules are applicable for RCG's purposes – only companies which have the status of financial institutions as defined by CRR are fully consolidated.

Regulatory Capital

In thousands of EUR	31 December 2017	31 December 2016
Common Equity Tier 1 capital (CET1)	1,060,279	1,018,200
Additional Tier 1 capital (AT1)	275,901	268,802
Total Tier 1 capital	1,336,180	1,287,002
Tier 2 capital	35,598	43,360
Total regulatory capital	**1,371, 778**	**1,330,362**
RISK WEIGHTED ASSETS (RWA)		
Credit risk of investment portfolio	7,362,333	7,340,795
Operational risk (BIA)	813,576	655,236
Credit risk of trading portfolio	588,784	407,767
General and specific interest risk	179,991	160,680
General and specific equity risk	44,492	45,558
Currency risk	364,300	201,529
Commodity risk	–	–
Risk exposure amount for credit valuation adjustment	13,183	4,545
Total amount of capital requirements	**8,777, 875**	**8,408,343**

The capital adequacy ratio is calculated for CET 1 capital, Tier 1 capital and total Own Funds as a portion of the relevant capital to risk weighted assets (RWA).The regulatory capital is calculated as the sum of the Common Equity Tier 1 capital (CET1), additional Tier 1 capital (AT1) and Tier 2 capital reduced by deductible items. CET1 capital comprises paid-up share capital, the statutory reserve fund, other equity funds, retained earnings and additional value adjustments. Tier 2 capital comprises subordinated debt approved by the Czech National Bank in an amount of EUR 35,598 thousand (31 December 2016: EUR 43,360 thousand). The deductible items include intangible assets at net book value and net deferred tax liabilities related to these intangible assets.

Capital adequacy ratios

Requirements for capital adequacy ratios are as follows:

In %	Minimum requirements	Capital conservation buffer	Countercyclical capital buffer	Total requirements
CET1 ratio	4.5	2.5	0.32	7.32
Tier 1 ratio	6.0	2.5	0.32	8.82
Total regulatory capital ratio	**8.0**	**2.5**	**0.32**	**10.82**

An additional Capital conservation buffer of 2.5% for CET1 was imposed by the Czech National bank. The specific countercyclical capital buffer rate is calculated in accordance with §63 ČNB decree No. 163/2014 Sb. and is calculated as a weighted average of the countercyclical buffer rates in effect in the jurisdictions to which the Group has relevant risk exposures. It started to be relevant in 2017 when the Czech Republic and the Slovak Republic firstly set their countercyclical buffer rates.

Capital adequacy ratios of RCG as at 31 December 2017 and 2016 were as follows:

In %	31 December 2017	31 December 2016
Common equity tier 1 (CET1)	12.08	12.11
Tier 1 capital	15.22	15.31
Total regulatory capital ratio	**15.63**	**15.82**

42. ASSETS UNDER MANAGEMENT

In thousands of EUR	31 December 2017	31 December 2016
Assets in own-managed funds	2,511,611	1,972,660
Assets with discretionary mandates	235,491	149,791
Other assets under management	2,550,834	2,276,120
Total assets under management	**5,297,936**	**4,398,571**

(a) Calculation method

Assets under management comprise all client assets managed or held for investment purposes only. In summary, these include all balances due to customers, fiduciary time deposits and all valued portfolio assets. Custodial assets (assets held solely for transaction and safe-keeping purposes) are not included in assets under management. Assets under management are measured at fair value for quoted financial instruments. If these are not quoted, debt and equity financial instruments are valued at amortized cost or using common valuation techniques (e.g. pricing models with market inputs as available), respectively.

(b) Assets in own-managed funds

This comprises assets of all the Group's investment funds.

(c) Assets with discretionary mandates

Securities, value rights, precious metals, the market value of fiduciary investments with third parties and customer deposits are included in the calculation of assets with discretionary mandates. The figures comprise both assets deposited with Group companies and assets deposited with third parties, for which the Group companies hold a discretionary mandate.

(d) Other assets under management

Securities, value rights, precious metals, the market value of fiduciary investments with third parties and customer deposits are included in the calculation of other assets under management. The figures comprise assets for which an administration or advisory mandate is exercised.

43. RELATED PARTIES

Identity of related parties

The Group has, or had, related party relationships as identified in the following table, either at 31 December 2017 and 2016 or during the years with:

(1) Ultimate shareholders and companies they control
(2) Entities with joint control or significant influence over the Company and its subsidiaries or associates
(3) Associates
(4) Joint ventures in which the Group is a venturer
(5) Key management personnel of the Company or parent of the Company and companies they control or jointly control

"Ultimate shareholders and companies they control" includes the following: Jakabovič Ivan, Tkáč Jozef, DANILLA EQUITY LIMITED, J&T Securities, s.r.o., KOLIBA REAL a.s., KPRHT 3, s.r.o., KPRHT 14 s.r.o. and KPRHT 19, s.r.o. None of these produce publicly available consolidated financial statements which include the Group.

The summary of transactions with related parties during 2017 and 2016 is as follows:

In thousands of EUR	31 December 2017 Accounts receivable	31 December 2017 Accounts payable	31 December 2016 Accounts receivable	31 December 2016 Accounts payable
Ultimate shareholders and companies they control	48	4,821	38,918	1,674
Associates and joint ventures	88	2,584	3,287	1,745
Key management personnel of the entity or its parent and companies they control or jointly control	75,956	14,264	265,165	19,203
Total	**76,092**	**21,669**	**307,370**	**22,622**

There was no provision for doubtful debts due from the "Ultimate shareholders and companies they control" as at 31 December 2017 (2016: nil).

The summary of transactions with related parties during 2017 and 2016 is as follows:

In thousands of EUR	2017 Revenues	2017 Expenses	2016 Revenues	2016 Expenses
Ultimate shareholders and companies they control	449	1	3,164	2
Associates and joint ventures	1,696	83	2,145	1,327
Key management personnel of the entity or its parent and companies they control or jointly control	13,412	6,190	21,793	9,720
Total	**15,557**	**6,274**	**27,102**	**11,049**

The summary of guarantees with related parties at year-end is as follows:

In thousands of EUR	31 December 2017 Guarantees received	31 December 2017 Guarantees granted	31 December 2016 Guarantees received	31 December 2016 Guarantees granted
Ultimate shareholders and companies they control	–	5	–	5
Key management personnel of the entity or its parent and companies they control or jointly control	–	150	7,436	162
Total	**–**	**155**	**7,436**	**167**

As at 31 December 2017 the shareholders of the Group had no guarantees to the creditors of the Group for its loans (2016: nil).

Transactions with directors and key management

Total remuneration included in "personnel expenses" and loans to directors and key management are as follows:

In thousands of EUR	31 December 2017	31 December 2016
Remuneration	171	382
Loans	242	263

Of the loans to directors and key management, new loans of EUR 122 thousand were granted during 2017 (2016: EUR 56 thousand) and EUR 170 thousand was repaid (2016: EUR 310 thousand).

44. UNCONSOLIDATED STRUCTURED ENTITIES

The Group engages in various business activities with structured entities which are companies designed to achieve a specific business purpose and usually designed so that voting or similar rights are not a dominant factor in deciding who controls the entity.

A structured entity often has some or all of the following features or attributes:
– Restricted activities;
– A narrow and well defined objective;
– Insufficient equity to permit the structured entity to finance its activities without subordinated financial support.

The Group provides financing to certain structured entities for the purchase of assets that are collateralized in favor of the Group by the structured entities. The Group enters into transactions with these entities in the normal course of business to facilitate customer transactions and for specific investment opportunities. The entities covered by this disclosure note are not consolidated because the Group does not control them through voting rights, contract, funding agreements, or other means.

Income derived from involvement with structured entities represents interest income recognized by the Group on the funding provided to structured entities.

The Group's interests in unconsolidated structured entities refer to contractual involvement that exposes the group to variability of returns from the performance of the structured entities.

The maximum exposure to loss for the Group is determined by considering the nature of the interest in the unconsolidated structured entity and represents the maximum loss that the Group could be required to report as a result of its involvement with unconsolidated structured entities regardless of the probability of the loss being incurred.

The maximum exposure to loans is reflected by their carrying amounts in the consolidated balance sheet as at 31 December 2017 in amount of EUR 328,193 thousand (2016: EUR 647,533 thousand) and there was no loss incurred in 2017 in respect of these loans provided (2016: nil). There are no additional contractual arrangements with these entities regarding providing any further funding or guarantees. Liabilities of the unconsolidated structured entities due to other entities are subordinated to liabilities due to the Group.

The total assets value for four unconsolidated structured entities, as indication of their size, is EUR 699,785 thousand (2016: EUR 910,803 thousand).

45. SUBSEQUENT EVENTS

On 27 March 2017, J&T FINANCE GROUP SE received a notice from the Antimonopoly Office of the Slovak Republic about the commencement of administrative proceedings regarding a possible breach of antimonopoly law by an unannounced transaction- the acquisition of a 40% stake in Panta Rhei, s.r.o. by Diversified Retail Company, a.s. According to the preliminary considerations of the Antimonopoly Office, J&T FINANCE GROUP SE allegedly gained joint control over Panta Rhei, s.r.o. by exercising rights on behalf of Diversified Retail Company, a.s. without notifying the transaction to the Antimonopoly Office and exercised the rights and duties arising from such control without prior approval of the Antimonopoly Office. J&T FINANCE GROUP SE denies that it acquired control over Panta Rhei, s.r.o. and disputes all the alleged breaches. The proceedings had not been concluded at the time of issuance of the financial statements. The possible penalty can range from EUR 700 thousand to EUR 7,000 thousand.

On February 27, 2018, the subsidiary AKB "Khovanskiy" a.o. merged with J&T Bank, a.o. and since that day ceased to exist as a legal entity.

In March 2016 the shareholders of the Group entered into several agreements with CEFC, with the original aim of CEFC to acquire a 50% share in the Group. The transaction was subject to regulatory approval both in China and countries where the Group operates. In March 2018, the application for regulatory approval was withdrawn by CEFC and the purchase of additional share in the Group was abandoned. In May 2018 Rainbow Wisdom Investment Limited, a member of the CITIC Group, took over the shareholding of CEFC in JTFG. JTFG and CITIC Group will engage in negotiations about further and deeper cooperation between both groups.

46. GROUP ENTITIES

The list of the Group entities as at 31 December 2017 and 2016 is set out below:

Company name	Country of incorporation	December 2017 Consolidated %	December 2017 Ownership interest	December 2017 Consolidation method	December 2016 Consolidated %	December 2016 Ownership interest
J&T FINANCE GROUP SE	Czech Republic		parent company		parent company	
J&T BANKA, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
ATLANTIK finanční trhy, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
J&T INVESTIČNÍ SPOLEČNOST, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
J&T IB and Capital Markets, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
XT-Card a.s.	Czech Republic	32.00	direct	Equity	32.00	direct
J&T Bank, a.o. (J&T Bank ZAO)[1]	Russia	100.00	direct	Full	100.00	direct
AKB «Khovanskiy» a.o.	Russia	100.00	direct	Full	–	–
TERCES MANAGEMENT LIMITED[2]	Cyprus	100.00	direct	Full	100.00	direct
Interznanie OAO3	Russia	100.00	direct	Full	100.00	direct
PGJT B.V.	Netherlands	–	–	–	50.00	direct
PROFIREAL OOO	Russia	–	–	–	50.00	direct
J&T REALITY otevřený podílový fond[4]	Czech Republic	88.88	direct	Full	88.25	direct
J&T Banka d.d. (VABA d.d. banka Varaždin)	Croatia	82.76	direct	Full	82.55	direct
J&T Leasingová společnost, a.s.	Czech Republic	100.00	direct	Full	–	–
J&T INTEGRIS GROUP LIMITED	Cyprus	100.00	direct	Full	100.00	direct
Bayshore Merchant Services Inc.	British Virgin Islands	100.00	direct	Full	100.00	direct
J&T Bank and Trust Inc.	Barbados	100.00	direct	Full	100.00	direct
J and T Capital, Sociedad Anonima de Capital Variable	Mexico	100.00	direct	Full	100.00	direct
J&T MINORITIES PORTFOLIO LIMITED	Cyprus	60.60	direct	Full	100.00	direct
Equity Holding, a.s.	Czech Republic	37.96	direct	Full	62.64	direct
J&T Global Finance III, s.r.o.	Slovakia	100.00	direct	Full	100.00	direct
J&T Global Finance IV., B.V.	Netherlands	100.00	direct	Full	100.00	direct
J&T Global Finance V., s.r.o.	Slovakia	100.00	direct	Full	100.00	direct
J&T Global Finance VI., s.r.o.	Slovakia	100.00	direct	Full	100.00	direct
J&T Global Finance VII., s.r.o.	Czech Republic	100.00	direct	Full	100.00	direct
J&T Global Finance VIII., s.r.o	Czech Republic	100.00	direct	Full	100.00	–
J&T Concierge, s.r.o.	Czech Republic	Merged into J&T SERVICES ČR, a.s.			100.00	direct

Company name	Country of incorporation	December 2017 Consolidated %	December 2017 Ownership interest	December 2017 Consolidation method	December 2016 Consolidated %	December 2016 Ownership interest
J&T SERVICES ČR, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
J&T SERVICES SR, s.r.o.	Slovakia	100.00	direct	Full	100.00	direct
J&T Finance, LLC	Russia	99.90	direct	Full	99.90	direct
Hotel Kadashevskaya, LLC	Russia	99.90	direct	Full	99.90	direct
PBI, a.s.	Czech Republic	100.00	direct	Full	94.88	direct
Poštová banka, a.s.[5]	Slovakia	98.46	direct	Full	96.72	direct
Poštová poisťovňa, a.s. (Poisťovňa Poštovej banky, a.s.)	Slovakia	78.77	direct	Full	77.37	direct
Dôchodková správcovská spoločnosť Poštovej Banky, d.s.s., a.s.	Slovakia	98.46	direct	Full	96.72	direct
PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY, správ. spol., a.s.	Slovakia	98.46	direct	Full	96.72	direct
PB Servis, a.s. (POBA Servis, a. s.)	Slovakia	98.46	direct	Full	96.72	direct
PB PARTNER, a.s.	Slovakia	98.46	direct	Full	96.72	direct
PB Finančné služby, a.s.	Slovakia	98.46	direct	Full	96.72	direct
PB IT, a.s.	Slovakia	–	–	–	96.72	direct
SPPS, a.s.	Slovakia	39.38	direct	Equity	38.69	direct
NOVA Hotels otevřený podílový fond REDSIDE investiční společnost, a.s.[6]	Czech Republic	99.20	direct	Full	–	–
DIAMOND HOTELS SLOVAKIA, s.r.o.	Slovakia	99.20	direct	Full	–	–
BHP Tatry, s.r.o.	Slovakia	99.20	direct	Full	–	–
Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.[7]	Czech Republic	99.16	direct	Full	–	–
FORESPO SOLISKO a.s.	Slovakia	99.16	direct	Full	–	–
FORESPO HELIOS 1 a.s.	Slovakia	99.16	direct	Full	–	–
FORESPO HELIOS 2 a.s.	Slovakia	99.16	direct	Full	–	–
FORESPO HOREC a SASANKA a.s.	Slovakia	99.16	direct	Full	–	–
FORESPO PÁLENICA a.s.	Slovakia	99.16	direct	Full	–	–
INVEST-GROUND a.s.	Slovakia	99.16	direct	Full	–	–
FORESPO-RENTAL 1 a.s.	Slovakia	99.16	direct	Full	–	–
FORESPO-RENTAL 2 a.s.	Slovakia	99.16	direct	Full	–	–
FORESPO BDS a.s.	Czech Republic	99.16	direct	Full	–	–
DEVEL PASSAGE s.r.o.	Slovakia	99.16	direct	Full	–	–
FORESPO DUNAJ 6 a.s.	Slovakia	99.16	direct	Full	–	–
J&T Wine Holding SE	Czech Republic	100.00	direct	Full	–	–
OUTSIDER LIMITED	Cyprus	100.00	direct	Full		
Chateau Teyssier (Société civile)	France	80.00	direct	Full	–	–
CT Domaines	France	80.00	direct	Full	–	–
SAXONWOLD LIMITED	Ireland	80.00	direct	Full	–	–
World's End	U.S.A.	80.00	direct	Full	–	–
KOLBY a.s.	Czech Republic	100.00	direct	Full	–	–
J&T Mezzanine, a.s.	Czech Republic	100.00	direct	Full	–	–

The structure above is listed by ownership of companies at the different levels within the Group.

[1] The Group owns a 99.945% share in J&T Bank, a.o. through the subsidiary J&T BANKA, a.s. and another 0.055% share through J&T FINANCE GROUP SE.
[2] The Group owns a 99% share in TERCES MANAGEMENT LIMITED through the subsidiary J&T BANKA, a.s. and another 1% share through the subsidiary J&T Finance, LLC.

[3] The Group owns a 50% share in Interznanie OAO through the subsidiary TERCES MANAGEMENT LIMITED and another 50% share through the subsidiary J&T Bank, a.o.

[4] The Group owns a 53.08% share in J&T REALITY otevřený podílový fond through the subsidiary J&T BANKA, a.s. and another 35.80% share through the subsidiary Poštová banka, a.s. (2016: 53.08% and 35.17%).

[5] The Group owns a 64.46% share in Poštová banka., a.s. through J&T FINANCE GROUP SE and another 34% share through the subsidiary PBI, a.s. (2016: 64.46% through J&T FINANCE GROUP SE and 32.26% through the subsidiary PBI, a.s.).

[6] The Group owns a 48.35% share in NOVA Hotels otevřený podílový fond REDSIDE investiční společnost, a.s. through J&T BANKA, a.s. and effectively another 50.85% share through the subsidiary Poštová banka, a.s.

[7] The Group owns a 45.71% share in Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s. through J&T BANKA, a.s. and effectively another 53.45% share through the subsidiary Poštová banka, a.s.

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Independent Auditor's Report to the Shareholders of J&T FINANCE GROUP SE

This document is an unsigned English translation of the Czech auditor's report. Only the Czech version of the report is legally binding.

Opinion

We have audited the accompanying financial statements of J&T FINANCE GROUP SE ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2017, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body is responsible for the other information.

J&T FINANCE GROUP SE has not prepared an annual report as at 31 December 2017, as it plans to include the respective information in a consolidated annual report. Consequently, this auditor's report does not include our statement on the other information.

Responsibilities of the Statutory Body, Supervisory Board and Audit Committee for the Financial Statements

The statutory body is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and Audit Committee are responsible for the oversight of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
– Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
– Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statutory Auditor Responsible for the Engagement

Vladimír Dvořáček is the statutory auditor responsible for the audit of the financial statements of J&T FINANCE GROUP SE as at 31 December 2017, based on which this independent auditor's report has been prepared.

Prague
28. května 2018

KPMG Česká republika Audit, s.r.o.
Registration number 71

Vladimír Dvořáček
Partner
Registration number 2332

Balance sheet in full format as at 31 December 2017

In thousands of CZK		line	Current period Gross	Current period Adjust.	Prior period Net	Prior period Net
	TOTAL ASSETS	**1**	**58,462,775**	**(3,643,366)**	**54,819,409**	**56,116,390**
B.	**Fixed assets**	**2**	**42,587,595**	**(2,755,557)**	**39,832,038**	**35,604,209**
B.I.	Intangible fixed assets	3	463	(300)	163	229
B.I.2.	Intellectual property rights	4	71	(71)	–	–
B.I.2.1.	Software	5	71	(71)	–	–
B.I.4.	Other intangible fixed assets	6	392	(229)	163	229
B.II.	Tangible fixed assets	7	229,219	(78,265)	150,954	166,582
B.II.1.	Land and buildings	8	159,735	(36,168)	123,567	132,369
B.II.1.2.	Buildings	9	159,735	(36,168)	123,567	132,369
B.II.2.	Plant and equipment	10	66,566	(42,097)	24,469	31,295
B.II.4.	Other tangible fixed assets	11	2,918	–	2,918	2,918
B.II.4.3.	Other tangible fixed assets	12	2,918	–	2,918	2,918
B.III.	Long-term investments	13	42,357,913	(2,676,992)	39,680,921	35,437,398
B.III.1.	Equity investments – group undertakings	14	38,134,798	(2,676,992)	35,457,806	34,661,856
B.III.2.	Loans – group undertakings	15	2,615,473	–	2,615,473	–
B.III.5	Other long-term securities and equity investments	16	1,309,370	–	1,309,370	477,270
B.III.7.	Other long-term investments	17	298,272	–	298,272	298,272
B.III.7.1.	Other long-term investments	18	298,272	–	298,272	298,272

In thousands of CZK		line	Current period Gross	Current period Adjust.	Prior period Net	Prior period Net
	CURRENT ASSETS	**19**	**15,854,384**	**(887,809)**	**14,966,575**	**20,475,499**
C.I.	Inventories	20	60	–	60	127
C.I.1.	Raw materials	21	60	–	60	127
C.II.	Receivables	22	14,983,692	(887,809)	14,095,883	17,983,936
C.II.1.	Long-term receivables	23	9,945,090	–	9,945,090	9,340,170
C.II.1.5.	Receivables – other	24	9,945,090	–	9,945,090	9,340,170
C.II.1.5.4.	Other receivables	25	9,945,090	–	9,945,090	9,340,170
C.II.2.	Short-term receivables	26	5,038,602	(887,809)	4,150,793	8,643,766
C.II.2.1.	Trade receivables	27	220,685	(171,702)	48,983	70,603
C.II.2.2.	Receivables – group undertakings	28	137,463	–	137,463	1,034,321
C.II.2.3.	Receivables – associated companies	29	–	–	–	57,125
C.II.2.4.	Receivables – other	30	4,680,454	(716,107)	3,964,347	7,481,717
C.II.2.4.3.	Tax receivables	31	2,172	–	2,172	32,029
C.II.2.4.4.	Short-term advances paid	32	10,362	–	10,362	17,723
C.II.2.4.5.	Estimated receivables	33	10,673	–	10,673	2,742
C.II.2.4.6.	Other receivables	34	4,657,247	(716,107)	3,941,140	7,429,223
C.III.	Short-term financial assets	35	168,648	–	168,648	2,405,461
C.III.2.	Other short-term financial assets	36	168,648	–	168,648	2,405,461
C.IV.	Cash	37	701,984	–	701,984	85,975
C.IV.1.	Cash in hand	38	312	–	312	273
C.IV.2.	Bank accounts	39	701,672	–	701,672	85,702
D.	**Deferrals**	**40**	**20,796**	**–**	**20,796**	**36,682**
D.1.	Prepaid expenses	41	20,750	–	20,750	35,486
D.3.	Accrued revenues	42	46	–	46	1,196

In thousands of CZK		line	Current period	Prior period
	TOTAL LIABILITIES AND EQUITY	**43**	**54,819,409**	**56,116,390**
A.	**Equity**	**44**	**31,178,945**	**30,237,182**
A.I.	Registered capital	45	15,780,308	15,780,308
A.I.1.	Registered capital	46	15,780,308	15,780,308
A.II.	Premium and capital contributions	47	7,328,853	8,069,882
A.II.1.	Premium	48	2,551,766	2,551,766
A.II.2.	Capital contributions	49	4,777,087	5,518,116
A.II.2.1.	Other capital contributions	50	5,615,882	5,615,882
A.II.2.2.	Revaluation of assets and liabilities (+/-)	51	(838,795)	(97,766)
A.III.	Funds from profit	52	455,127	446,902
A.III.1.	Other reserve funds	53	200,082	200,082
A.III.2.	Statutory and other funds	54	255,045	246,820
A.IV.	Retained earnings (+/-)	55	5,455,089	6,014,803
A.IV.1.	Retained profits	56	5,455,089	6,014,803
A.V.	Profit (loss) for the current period (+/-)	57	2,159,568	(74,713)
B. + C.	**Liabilities**	**58**	**23,627,576**	**25,820,034**
B.	**Provisions**	**59**	**7,727**	**77,166**
B.2.	Income tax provision	60	2,680	–
B.4.	Other provisions	61	5,047	77,166
C.	**Liabilities**	**62**	**23,619,849**	**25,742,868**
C.I.	Long-term liabilities	63	15,684,082	11,056,904
C.I.1.	Debentures and bonds issued	64	1,278,328	1,352,408
C.I.1.2.	Other debentures and bonds	65	1,278,328	1,352,408
C.I.2.	Liabilities to credit institutions	66	306,200	–
C.I.4.	Trade payables	67	71	64
C.I.6.	Liabilities – group undertakings	68	14,096,229	9,697,979
C.I.8.	Deferred tax liability	69	3,254	6,453

In thousands of CZK		line	Current period	Prior period
C.II.	Short-term liabilities	70	7,935,767	14,685,964
C.II.2.	Liabilities to credit institutions	71	1,509,654	1,055,571
C.II.3.	Short-term advances received	72	–	888,221
C.II.4.	Trade payables	73	3,691	5,758
C.II.5.	Short-term bills of exchange payable	74	832,137	589,309
C.II.6.	Liabilities – group undertakings	75	5,303,343	11,502,216
C.II.8.	Liabilities – other	76	286,942	644,889
C.II.8.1.	Liabilities to shareholders/members	77	40,107	42,431
C.II.8.2.	Short-term financial liabilities	78	–	18,252
C.II.8.3.	Payables to employees	79	923	1,107
C.II.8.4.	Social security and health insurance liabilities	80	697	651
C.II.8.5.	Tax liabilities and subsidies	81	1,038	47,154
C.II.8.6.	Estimated payables	82	15,791	7,314
C.II.8.7.	Other payables	83	228,386	527,980
D.	**Accruals**	**84**	**12,888**	**59,174**
D.1.	Accrued expenses	85	12,888	59,174

Income statement classification by nature for the year ended 31 December 2017

In thousands of CZK		line	Current period	Prior period
	INCOME STATEMENT			
I.	Revenue from products and services	1	15,045	14,696
A.	Cost of sales	2	122,805	125,131
A.2.	Materials and consumables	3	1,346	1,426
A.3.	Services	4	121,459	123,705
D.	Personnel expenses	5	19,992	17,482
D.1.	Wages and salaries	6	15,238	13,240
D.2.	Social security, health insurance and other expenses	7	4,754	4,242
D.2.1.	Social security and health insurance expenses	8	4,576	4,088
D.2.2.	Other expenses	9	178	154
E.	Adjustments relating to operating activities	10	21,514	344,577
E.1.	Adjustments to intangible and tangible fixed assets	11	15,778	17,978
E.1.1.	Depreciation and amortisation of intangible and tangible fixed assets	12	15,778	17,978
E.3.	Adjustments to receivables	13	5,736	326,599
III.	Other operating revenues	14	10,567	10,609
III.1.	Proceeds from disposals of fixed assets	15	22	–
III.2.	Proceeds from disposals of raw materials	16	65	75
III.3.	Miscellaneous operating revenues	17	10,480	10,534
F.	Other operating expenses	18	(55,194)	59,792
F.2.	Net book value of raw materials sold	19	61	71
F.3.	Taxes and charges	20	112	117
F.4.	Provisions relating to operating activity and complex prepaid expenses	21	(68,024)	(90)
F.5.	Miscellaneous operating expenses	22	12,657	59,694
*	**Operating profit (loss) (+/-)**	**23**	**(83,505)**	**(521,677)**

In thousands of CZK		line	Current period	Prior period
	INCOME STATEMENT			
IV.	Revenue from long-term investments – equity investments	24	2,643,804	1,022,812
IV.1.	Revenue from equity investments – group undertakings	25	1,746,897	1,022,812
IV.2.	Other revenue from equity investments	26	896,907	–
G.	Cost of equity investments sold	27	896,735	54,754
V.	Revenue from other long-term investments	28	6,473,291	937,967
V.1.	Revenue from other long-term investments – group undertakings	29	2,419,071	30,465
V.2.	Other revenue from other long-term investments	30	4,054,220	907,502
H.	Expenses related to other long-term investments	31	6,471,822	899,777
VI.	Interest revenue and similar revenue	32	833,698	754,207
VI.1.	Interest revenue and similar revenue- group undertakings	33	77,236	138,033
VI.2.	Other interest revenue and similar revenue	34	756,462	616,174
I.	Adjustments and provisions relating to financial activity	35	(234,930)	8,912
J.	Interest expense and similar expense	36	1,070,552	1,110,268
J.1.	Interest expense and similar expense- group undertakings	37	897,705	879,809
J.2.	Other interest expense and similar expense	38	172,847	230,459
VII.	Other financial revenues	39	1,658,967	537,737
K.	Other financial expenses	40	1,151,088	736,140
*	**Profit (loss) from financial operations**	**41**	**2,254,493**	**442,872**
**	**Profit (loss) before tax (+/-)**	**42**	**2,170,988**	**(78,805)**
L.	Income tax	43	11,420	(4,092)
L.1.	Current tax	44	14,619	136
L.2.	Deferred tax (+/-)	45	(3,199)	(4,228)
**	**Profit (loss) after tax (+/-)**	**46**	**2,159,568**	**(74,713)**
***	**Profit (loss) for the accounting period (+/-)**	**47**	**2,159,568**	**(74,713)**
*	**Net turnover for the accounting period = I. + II. + III. + IV. + V. + VI. + VII.**	**48**	**11,635,372**	**3,278,028**

Cash flow statement for the year ended 31 December 2017

In thousands of CZK		Current period	Prior period
P.	**Cash and cash equivalents, beginning of period**	**85,975**	**863,696**
	NET OPERATING CASH FLOW		
Z:	Operating profit (loss) before tax	(83,505)	(521,677)
A.1.	Non-cash transactions	(7,776)	945,782
A.1.1.	Depreciation and amortisation of fixed assets	15,778	17,978
A.1.2.	Change in:	(66,383)	335,421
A.1.2.2.	provisions and adjustments relating to operating activity	(66,383)	335,421
A.1.3.	Profit(-) Loss(+) on sale of fixed assets	(22)	–
A.1.4.	Other non-cash transactions	42,851	592,383
A*.	**Net operating cash flow before taxation, financial items, changes in working capital and extraordinary items**	**(91,281)**	**424,105**
A.2.	Changes in working capital	5,122,291	(7,235,364)
A.2.1.	Change in receivables from operating activities, estimated receivables and deferrals	3,732,603	(4,786,325)
A.2.2.	Change in short-term liabilities from operating activities, estimated payables and accruals	(744,524)	(129,284)
A.2.3.	Change in inventories	67	75
A.2.4.	Change in short-term financial assets, other than cash and cash equivalents	2,134,145	(2,319,830)
A.**	**Net operating cash flow before taxation, financial balances, and extraordinary items**	**5,031,010**	**(6,811,259)**
A.3.	Interest paid excluding amounts capitalised	(1,003,436)	(858,840)
A.4.	Interest received	1,018,256	290,249
A.5.	Income tax paid on ordinary income and income tax relating to prior periods	(11,939)	20,664
A.6.	Other financial receipts and disbursement	(224,280)	132,688
A.7.	Dividends received	1,746,897	1,022,812
A.***	**Net operating cash flow**	**6,556,508**	**(6,203,686)**
	INVESTING ACTIVITIES		
B.1.	Acquisition of fixed assets	(2,701,112)	(801,391)
B.1.1.	Acquisition of tangible fixed assets	(85)	(43)
B.1.3.	Acquisition of long-term investments	(2,701,027)	(801,348)
B.2.	Proceeds from sales of fixed assets	1,022,194	421,598
B.2.1.	Proceeds from sales of tangible and intangible fixed assets	22	–
B.2.2.	Proceeds from sale of long-term investments	1,022,172	421,598
B.3.	Advances and loans to related parties	(2,600,953)	4,276,683
B.***	**Net cash flow from investing activities**	**(4,279,871)**	**3,896,890**
	FINANCING ACTIVITIES		
C.1.	Change in long-term resp. short-term liabilities from financing	(1,183,853)	(1,551,076)
C.2.	Increase and decrease in equity from cash transactions	(476,775)	3,080,151
C.2.1.	Subscription of shares and investments	–	3,446,558
C.2.2.	Equity paid to shareholders	–	(119,587)
C.2.5.	Payments from funds created from net profit	(476,775)	(246,820)
C.***	**Net cash flow from financing activities**	**(1,660,628)**	**1,529,075**
F.	**Net increase or decrease in cash balance**	**616,009**	**(777,721)**
R.	**Cash and cash equivalents, end of period**	**701,984**	**85,975**

Statement of changes in equity for the year ended 31 December 2017

In thousands of CZK	Registered capital	Premium	Other capital contributions
Balance as at 1.1.2017	15,780,308	2,551,766	5,615,882
Transfer of the profit (loss) of prior year period	–	–	–
Settlement of accumulated losses	–	–	–
Dividends	–	–	–
Change in revaluation	–	–	–
Change in fair value of hedging instruments	–	–	–
Profit (loss) for the current period	–	–	–
Balance as at 31.12.2017	**15,780,308**	**2,551,766**	**5,615,882**

In thousands of CZK	Registered capital	Premium	Other capital contributions
Zůstatek k 1.1.2016	17,740,750	2,551,766	208,882
Transfer of the profit (loss) of prior year period	–	–	–
Decrease in registered capital	(1,960,442)	–	–
Shares issued	–	–	–
Net profit bonuses	–	–	5,407,000
Dividends	–	–	–
Change in revaluation	–	–	–
Profit (loss) for the current period	–	–	–
Balance as at 31.12.2016	**15,780,308**	**2,551,766**	**5,615,882**

Revaluation of assets and liabilities	Other reserve funds	Statutory and other funds	Retained profits	Profit (loss) for the current period	Total
(97,766)	200,082	246,820	6,014,803	(74,713)	30,237,182
–	–	485,000	(74,714)	–	410,286
–	–	–	–	74,713	74,713
–	–	(476,775)	(485,000)	–	(961,775)
(1,179,029)	–	–	–	–	(1,179,029)
438,000	–	–	–	–	438,000
–	–	–	–	2,159,568	2,159,568
(838,795)	**200,082**	**255,045**	**5,455,089**	**2,159,568**	**31,178,945**

Revaluation of assets and liabilities	Other reserve funds	Statutory and other funds	Retained profits	Profit (loss) for the current period	Total
(105,352)	200,082	1,960,000	3,130,608	1,533,782	27,220,518
–	–	490,000	1,043,782	(1,533,782)	–
–	–	–	–	–	(1,960,442)
–	–	(1,960,000)	1,840,413	–	(119,587)
–	–	–	–	–	5,407,000
–	–	(243,180)	–	–	(243,180)
7,586	–	–	–	–	7,586
–	–	–	–	(74,713)	(74,713)
(97,766)	**200,082**	**246,820**	**6,014,803**	**(74,713)**	**30,237,182**

Notes to financial statements year ended 31 December 2017

1. DESCRIPTION AND PRINCIPAL ACTIVITIES

Establishment and description of the Company

J&T FINANCE GROUP SE ("the Company") was registered on 24 August 2006. The subject of the company's business is production, trade and services not listed in appendices 1 to 3 of the Trade Act.

Ownership structure

The shareholders of the Company as at 31 December 2017 were:

Ing. Jozef Tkáč	45.05 %
Ing. Ivan Jakabovič	45.05 %
CEFC Hainan International Holdings Co, Ltd.	4.50 %
CEFC Shanghai International Group Limited	5.40 %

Registered office

J&T FINANCE GROUP SE
Pobřežní 297/14
186 00 Praha 8- Karlín
Czech Republic

Identification number

275 92 502

Members of the board of directors and supervisory board as at 31 December 2017

Members of the board of directors	Members of the supervisory board
Jozef Tkáč (Chairman)	Marta Tkáčová (Chairman)
Patrik Tkáč	Ivan Jakabovič senior
Ivan Jakabovič	Jana Šuterová
Dušan Palcr	
Gabriela Lachoutová	

During the accounting period members of the board of directors and the supervisory board did not change.

The Company prepares consolidated financial statements.

Changes in the Commercial Register

In 2017, the following change concerning the board of directors was made:

– on 30 October 2017 Ivan Jakabovič's address was changed,

The above event was recorded in the Commercial Register at the respective date.

Administrative branch

J&T FINANCE GROUP SE, organizačná zložka ("administrative branch") was established in Slovakia based on the decision of the board of directors of J&T FINANCE, a.s. (legal predecessor of the Company) dated 6 November 2013 and on 15 November 2013 it was recorded in the Commercial Register maintained by the District Court in Bratislava I, section Po, insert 2332/B as an administrative branch of a foreign entity.

Basic information about the branch:
Company name: J&T FINANCE GROUP SE, organizačná zložka
Place of business: Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic
Identification number: 47 251 735

The principal activities of the administrative branch are as follows:
- mediation of providing loans and borrowings from funds solely acquired without a public invitation and without a public offer of property values
- lease of real estate without providing other than basic services associated with the lease
- mediation services in the field of trade, services and manufacture
- business, organisational and economic advisory
- advertising and marketing services

Head of the administrative branch:
Head of the administrative branch: Beáta Ondušková, Bratislava, Miletičova 54, post code 821 09, Slovak Republic

As at 31 December 2017 the administrative branch had 10 employees (2016 – 10 employees).

2. GENERAL ACCOUNTING PRINCIPLES, ACCOUNTING POLICIES AND THEIR CHANGES AND DEVIATIONS

These financial statements have been prepared in compliance with Act No. 563/1991 Coll., on Accounting, as amended, ("the Act on Accounting") and Decree of the Czech Ministry of Finance No. 500/2002 Coll., implementing certain provisions of the Act on Accounting, as amended, for business entities using double-entry bookkeeping, ("the Decree"). Comparative information for the year 2016 is provided in accordance with the structure and designation of balance sheet and income statement items specified by the Decree as amended for 2017.

The financial statements have been prepared on a going concern basis.

a) Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at acquisition cost. Tangible fixed assets costing up to TCZK 40 and intangible fixed assets costing up to TCZK 60 are not recognised in the balance sheet and are expensed in the year that they are acquired.

The cost of internally produced fixed assets includes direct materials, direct wages and overheads directly related to the creation of the asset until it is put into use.

Tangible fixed assets acquired free of charge are measured at replacement cost and credited to other capital contributions (in the case of non-depreciable assets)/accumulated depreciation (in the case of depreciable assets). An asset's replacement cost is the cost at which the asset would be acquired at the time of its recognition. The replacement cost of the respective assets has been determined based on an expert appraisal.

Land is not depreciated.

Assets are depreciated using the following methods over the following periods:

Assets	Method	Period
Buildings	Straight-line	30 years
Machinery and equipment	Straight-line	8 years
Motor vehicles	Declining balance	4 years
Patents and other intangibles	Straight-line	5 years
Software	Declining balance	3 years
Revaluation differences from acquired assets	Straight-line	15 years

In the income statement, depreciation is presented in “Depreciation and amortisation of intangible and tangible fixed assets”.

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term and their estimated useful lives.

b) Long-term investments

Long-term investments comprise equity investments in subsidiaries and associated companies, debt securities that the Company has the intent and ability to hold to maturity, and other long-term securities for which the Company’s intent is not known upon acquisition. Long-term investments also include long-term loans provided to group undertakings and associated companies and other long-term loans granted.

Long-term investments are stated at cost, which includes expenses directly incurred in connection with the acquisition, such as fees and commissions paid to brokers, advisors and stock exchanges.

Securities, except held-to-maturity securities and securities comprising equity investments in subsidiaries and associated companies, are measured at fair value as at the balance sheet date. Gains/losses arising from the change in fair value are not included in the net profit or loss for the period until they are realised, and are recorded as changes in “Revaluation of assets and liabilities” in equity.

Where the fair value cannot be reliably determined the investments are recognised at acquisition cost, and if a particular investment has been impaired, impairment allowance is created.

As at the balance sheet date, investments are recognised at acquisition cost, and in case of temporary decrease in net realisable value impairment allowances a created. Impairment allowances are created at the end of the accounting period. Impairment allowances are created in the currency in which the investment is recognized. Exchange rate differences to impairment allowances are recognized in the income statement on the same account for which the impairment of investments is recognized.

Foreign exchange differences arising from translation of long-term securities and ownership interests on the balance sheet date are part of the revaluation of these assets and liabilities presented in equity section “Revaluation of assets and liabilities”.

The value of debt securities as at the balance sheet date also includes the proportionate part of interest revenue that is recognised in the income statement. Where the value of held-to-maturity debt securities has been impaired all.

c) Short-term securities and ownership interests

On acquisition, securities held for trading and held-to-maturity debt securities due within one year are recorded at acquisition cost.

As at the balance sheet date short-term securities held for trading are measured at fair value. Any change in valuation in the accounting period is recorded in revenues (expenses) from revaluation of securities and derivatives. Where fair value cannot be reliably determined, short-term securities held for trading are recognised at cost. Impairment allowances are created in case of temporary decrease in the value of these assets.

The value of debt securities as at the balance sheet date also includes the proportionate part of interest revenue that is recognised in the income statement. Impairment allowances are created in case of temporary decrease in the value of these assets.

d) Inventories

Raw materials are stated at cost, which includes the purchase price of the materials and related customs duties and in-transit storage and freight costs incurred in delivering the materials to the manufacturing facility. Cost is determined using the first-in, first-out method.

Goods for resale are stated at cost, which includes the purchase price of the goods and related customs duties and in-transit storage and freight costs incurred in delivering the goods to the warehouse. Cost is determined using the first-in, first-out method.

e) Creation of allowances and provisions

Receivables

The Company creates allowances for doubtful receivables based on an analysis of the credit status of customers and the ageing structure of receivables. In the income statement, the creation and release of impairment allowances is presented in “Adjustments to receivables”.

Investments

Impairment allowances for investments are created when the carrying amount temporarily exceeds the net realisable value of an investment, represented by the value of equity or a qualified estimate.

Provisions

As at the balance sheet date, a provision for untaken holidays is established based on an analysis of untaken holidays in the accounting period and average payroll expenses, including social security and health insurance expenses per employee.

An income tax provision is established as the financial statements are prepared before the tax liability is determined. In the subsequent accounting period, the Company releases or uses this provision and records the actual tax liability determined.

In the balance sheet, the income tax provision is reduced by income tax prepayments, and the net receivable (if any) is recorded in tax receivables.

Other provisions are established for warranties. These provisions are established based on an analysis of the Company’s management where provisions are established for risk guarantees.

f) Foreign currency translation

The Company applies the Czech National Bank official rate to foreign currency transactions. During the year foreign exchange gains and losses are only recognised when realised at the time of settlement.

As at the balance sheet date, foreign currency monetary assets and liabilities are translated at the prevailing Czech National Bank official rates. Unrealised foreign exchange gains and losses are recognised in profit or loss.

g) Derivatives

A derivative is a financial instrument that meets all of the following conditions.

- Its fair value changes in response to the change in a specified interest rate, price of a security, commodity price, foreign exchange rate, price index, credit rating or credit index, or other variable ("the underlying asset").
- It requires a small or no initial net investment compared with other types of contract based on a similar response to changes in market factors.
- It is settled at a future date, with the period from the trade date to the settlement date exceeding that of a spot transaction.

Derivatives are recognised in the balance sheet at fair value. Positive fair values of derivatives are recognised in assets under "Other receivables". Negative fair values of derivatives are recognised in liabilities under "Other payables". The fair value of financial derivatives is the present value of expected cash flows from these transactions.

Trading derivatives

Derivatives held for trading are recognised in the balance sheet at fair value. Gains/losses from changes in fair value are recorded in the income statement under "Other financial revenues"/"Other financial expenses".

Hedging derivatives

The Company uses hedging derivatives (currency forwards, currency swaps) to mitigate foreign exchange risks relating to the holding of foreign currency investment. Hedging derivatives are recognised in the balance sheet at fair value. The method of recognising changes in fair value depends on the model of hedge accounting applied.

Hedge accounting

In accordance with accounting legislation, the Company applies hedge accounting to recognise the effect of currency risk hedging.

The Company applies hedge accounting if:

- the hedge is in line with the Company's risk management strategy,
- the hedge relationship is formally documented at the inception of the hedge,
- the hedge relationship is expected to be effective throughout its duration,
- the effectiveness of the hedge relationship can be objectively measured,
- the hedge relationship is effective throughout the accounting period, i.e. changes in the fair value or cash flows of the hedging instruments attributable to the hedged risk are within a range of 80–125% of the changes in the fair value or cash flows of the hedged instruments attributable to the hedged risk, and
- for cash flow hedges, a forecast transaction is highly probable and presents an exposure to variations in cash flows that could affect profit or loss.

The Company applies net investment hedge accounting model. When the Company hedges currency risk from foreign currency investments in subsidiaries and associates, the effective portion of the hedge (i.e. the change in the fair value of the hedging instrument attributable to the hedged risk) is recognised in equity under "Revaluation of assets and liabilities". The ineffective portion is recognised in profit or loss.

Embedded derivatives

In some instances, a derivative may be part of a compound financial instrument, which includes both the host instrument and the derivative (embedded derivative) that influences the cash flow or otherwise modifies the characteristics of the host instrument. Pursuant to Section 52 (7) of Decree No. 500/2002 Coll., the Company does not account for embedded derivatives.

h) Leased assets

Lease payments are expensed on a straight-line basis over the lease term. Where an asset is purchased at the end of the lease, it is recorded at its purchase price.

i) Recognition of revenues and expenses

Revenues and expenses are recognised on an accrual basis, i.e. in the period to which they relate in terms of substance and timing.

j) Income tax

Income tax for the period comprises current tax and the change in deferred tax.

Current tax comprises an estimate of tax payable calculated based on the taxable income, using the tax rate valid as at the first day of the accounting period, and any adjustments to taxes payable for previous periods.

Deferred tax is based on all temporary differences between the carrying and tax value of assets and liabilities, and other temporary differences (tax losses carried forward, if any), multiplied by the tax rate expected to be valid for the period in which the tax asset/liability is utilised.

A deferred tax asset is recognised only if it is probable that it will be utilised in future accounting periods.

k) Classification of liabilities and receivables

The Company classifies as short-term any part of long-term liabilities, receivables, received bank loans and received and granted overdrafts that is due within one year of the balance sheet date.

l) Consolidation

The Company is the parent entity that prepares consolidated financial statements in accordance with Section 22aa of Act No. 563/1991 Coll., On Accounting. The consolidated financial statements will be published in accordance with Sections 22a (2c) and 21a of Act No. 563/1991 Coll., on Accounting.

The Company prepares consolidated financial statements in accordance with International Accounting Standards (IFRS), as adopted by the European Union.

m) Accounting of the organisational unit

The accounting of the organisational unit is kept in EUR and separately in Slovakia. The turnover on all accounts is recalculated once a month at the daily exchange rate of the Czech National Bank. Assets and liabilities in EUR are translated at the balance sheet date using the exchange rate announced by the CNB. Any exchange differences arising from the translation of the balance sheet and the income statement at the balance sheet date are recognized in the income statement.

3. FIXED ASSETS

a) Intangible fixed assets

2017

In thousands of CZK	Intellectual property rights	Software	Total
ACQUISITION COST			
Balance at 1/1/2017	392	71	463
Balance at 31/12/2017	392	71	463
ACCUMULATED DEPRECIATION			
Balance at 1/1/2017	163	71	234
Depreciation expense	66	–	66
Balance at 31/12/2017	229	71	300
Net book value 1/1/2017	**229**	**–**	**229**
Net book value 31/12/2017	**163**	**–**	**163**

2016

In thousands of CZK	Intellectual property rights	Software	Total
ACQUISITION COST			
Balance at 1/1/2016	392	71	463
Balance at 31/12/2016	392	71	463
ACCUMULATED DEPRECIATION			
Balance at 1/1/2016	98	71	169
Depreciation expense	65	–	65
Balance at 31/12/2016	163	71	234
Net book value 1/1/2016	**294**	**–**	**294**
Net book value 31/12/2016	**229**	**–**	**229**

b) Tangible fixed assets

2017

In thousands of CZK	Buildings	Machin. and equip.	Motor vehicles	Office equip.	Low-value assets	Valuable items	Total
ACQUISITION COST							
Balance at 1/1/2017	159,735	251	1,784	32,860	31,687	2,918	229,235
Additions	–	–	86	–	–	–	86
Disposals	–	–	73	–	27	–	100
Balance at 31/12/2017	159,735	251	1,795	32,860	31,660	2,918	229,219
ACCUMULATED DEPRECIATION							
Balance at 1/1/2017	27,366	165	1,630	21,608	11,884	–	62,653
Depreciation expense	8,802	29	88	4,110	2,683	–	15,712
Accumulated depreciation disposals	–	–	73	–	27	–	100
Balance at 31/12/2017	36,168	194	1,645	25,718	14,540	–	78,265
ADJUSTMENTS							
Balance at 1/1/2017	–	–	–	–	–	–	–
Balance at 31/12/2017	–	–	–	–	–	–	–
Net book value 1/1/2017	**132,369**	**86**	**154**	**11,252**	**19,803**	**2,918**	**166,582**
Net book value 31/12/2017	**123,567**	**57**	**150**	**7,142**	**17,120**	**2,918**	**150,954**

2016

In thousands of CZK	Buildings	Machin. and equip.	Motor vehicles	Office equip.	Low-value assets	Valuable items	Total
ACQUISITION COST							
Balance at 1/1/2016	159,735	208	1,784	32,860	31,687	2,918	229,192
Additions	–	43	–	–	–	–	43
Balance at 31/12/2016	159,735	251	1,784	32,860	31,687	2,918	229,235
ACCUMULATED DEPRECIATION							
Balance at 1/1/2016	18,312	146	1,556	16,133	8,594	–	44,741
Depreciation expense	9,054	19	74	5,475	3,290	–	17,912
Balance at 31/12/2016	27,366	165	1,630	21,608	11,884	–	62,653
ADJUSTMENTS							
Balance at 1/1/2016	–	–	–	–	–	–	–
Balance at 31/12/2016	–	–	–	–	–	–	–
Net book value 1/1/2016	**141,423**	**62**	**228**	**16,727**	**23,093**	**2,918**	**184,451**
Net book value 31/12/2016	**132,369**	**86**	**154**	**11,252**	**19,803**	**2,918**	**166,582**

The assets are mainly assets of an administrative branch.

4. INVESTMENTS

a) Long-term investments

Overview of movements of long-term investments.

2017

In thousands of CZK	Equity investments – group undertakings	Loans – group undertakings	Other long-term securities and equity investments	Other long-term investments	Total
Balance at 1/1/2017	34,661,856	–	477,270	298,272	35,437,398
Additions	1,751,504	2,615,473	1,203,123	–	5,570,100
Disposals	–	–	(378,864)	–	(378,864)
Revaluation	(959,814)	–	12,101	–	(947,713)
Balance at 31/12/2017	**35,453,546**	**2,615,473**	**1,313,630**	**298,272**	**39,680,921**

2016

In thousands of CZK	Equity investments – group undertakings	Loans – group undertakings	Other long-term securities and equity investments	Other long-term investments	Total
Balance at 1/1/2016	34,717,952	306,049	4,509	–	35,028,510
Additions	–	2,963	500,113	298,272	801,348
Disposals	(54,955)	(309,012)	(27,115)	–	(391,085)
Revaluation	(1,141)	–	(237)	–	(1,378)
Balance at 31/12/2016	**34,661,856**	**–**	**477,270**	**298,272**	**35,437,398**

Controlled and controlling entities and entities under significant influence

2017

In thousands of CZK	Ownership	Shares held	Nominal share value in CZK	Total profit (+) loss (-) for 2017	Equity at 31/12/2017	Acquisition cost	Carrying value
PBI, a.s.	100%	5,777	1,000,000	(3,026)	6,060,875	6,220,287	6,220,287
J&T INTEGRIS GROUP LIMITED	100%	4,000	25.54	355,425	5,186,654	7,616,396	5,825,810
J & T BANKA, a.s.	100%	700,000 10,637,126	1.43 1,000	1,495,597	18,997,915	11,142,805	11,142,805
J&T Bank (Schweiz) AG in Liquidation	100%	200,000	2,517	–	–	1,042,065	185,504
Poštová banka, a.s.	64.46%	213,288	29,911	1,223,034	16,415,426	10,247,244	10,247,244
J&T Wine Holding SE	100%	5,750	156,630	(470)	880,905	900,702	900,702
J&T Mezzanine, a.s.	100%	2	1,000,000	1,720	821,800	820,081	820,081
Compact Property Fund	100%	35	100,000	–	–	4,260	4,260
J&T SERVICES ČR, a.s.	100%	10 139,134	200,000 1,000	21,306	177,794	140,958	111,113
Total ownership interests	**–**	**–**	**–**	**–**	**–**	**38,134,798**	**35,457,806**

Loans – group undertakings

2017

In thousands of CZK	Principal	% p.a.	Accrued interest	Maturity	Carrying value
J&T Mezzanine, a.s.	2,439,070	5.75%	12,426	20.11.2022	2,451,496
JOINT-STOCK COMMERCIAL BANK "KHOVANSKIY"	163,941	8.0%	36	27.12.2023	163,977
Total loans – group undertakings	**–**	**–**	**–**	**–**	**2,615,473**

Available-for-sale securities

2017

In thousands of CZK	Ownership	Shares held	Nominal share value in CZK	Total profit (+) loss (-) for 2017	Acquisition cost	Carrying value
Steel Assets Management Limited B.V.	9.9%	1,797	25.54	–	46	46
J&T Bank, a.o.	0.1%	70,000	62.44	–	4,371	4,371
SANDBERG INVESTMENT FUND SICAV P.L.C	0%	20,000	2.554	–	51,080	61,244
NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.	0%	9,782,739	25.54	–	1,201,614	1,243,709
Total available-for-sale securities	**–**	**–**	**–**	**–**	**1,257,354**	**1,309,370**

Other long-term investments

2017

In thousands of CZK	Number of pieces	Nominal piece value in CZK	% p.a.	Acquisition cost	Carrying value
J & T BANKA, a.s. – perpetuity	2,220	135,100	9%	298,272	298,272
Total other long-term investments	–	–	–	298,272	298,272
Total long-term investments	**–**	**–**	**–**	**–**	**39,680,921**

Financial information for the above mentioned companies were taken from their preliminary, unaudited financial statements.

The statutory financial statements of PBI, a.s. are prepared for the fiscal year ending 30 June 2018. For this reason, the stated values (total profit and equity) are for a period of 6 months (from 1 July 2017 to 31 December 2017).

The registered capital of PBI, a.s. consists of 5 777 shares of the following types: ordinary shares of type A (605), priority shares of type B (4,842), and priority shares of type C (330).

During 2017, J & T FINANCE GROUP SE bought back 31 ordinary shares of type A, thus increasing its share on voting rights again to 100%.

During the year, The Company established J&T Wine Holding SE and J&T Mezzanine, a.s. Both of these companies are 100% owned by the Company.

During 2017, J&T Concierge, s.r.o. merged with J&T SERVICES ČR, a.s.

The Company bought 100% shares of the company Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s. at the end of 2017.

Controlled and controlling entities and entities under significant influence

2016

In thousands of CZK	Ownership	Shares held	Nominal share value in CZK	Total profit (+) loss (-) for 2016	Equity at 31/12/2016	Acquisition cost	Carrying amount
PBI, a.s.	99.46%	5,746	1,000,000	(2 037)	6,252,575	6,189,567	6,189,567
J&T INTEGRIS GROUP LIMITED	100%	4,000	27.02	10,685	5,170,024	8,057,752	6,163,405
J & T BANKA, a.s.	100%	700,000 10,637,126	1.43 1,000	1,551,807	18,943,750	11,142,805	11,142,805
J&T Concierge, s.r.o.	100%	1	1,600,000	130	(1,152)	1,620	1,620
J&T Bank (Schweiz) AG in Liquidation	100%	200,000	2,517	–	–	1,201,641	213,911
Poštová banka, a.s.	64.46%	213,288	29,911	1,192,987	16,403,626	10,841,055	10,841,055
J&T SERVICES ČR, a.s.	100%	10 139,134	200,000 1,000	23,689	192,583	139,338	109,493
Total ownership interests	**–**	**–**	**–**	**–**	**–**	**37,573,778**	**34,661,856**

Realizovatelné cenné papíry

2016

In thousands of CZK	Ownership	Shares held	Nominal share value in CZK	Total profit (+) loss (-) for 2016	Acquisition cost	Fair value
Steel Assets Management Limited B.V.	9.9%	1,797	27.02	–	49	49
J&T Bank, a.o.	0.1%	70,000	62.44	–	4,371	4,371
SANDBERG INVESTMENT FUND SICAV P.L.C	–	20,000	2,702	–	54,040	54,040
NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.	–	3,347,443	27.02	–	418,810	418,810
Total available-for-sale securities	**–**	**–**	**–**	**–**	**477,270**	**477,270**

Other long-term investments

2016

In thousands of CZK	Number of pieces	Nominal piece value in CZK	% p.a.	Acquisition cost	Carrying value
J & T BANKA, a.s. – perpetuity	2,220	135,100	9%	298,272	298,272
Total other long-term investments	–	–	–	–	298,272
Total long-term investments	**–**	**–**	**–**	**–**	**35,437,398**

During 2017, the Company had revenue from long-term investments relating to dividends received from PBI, a.s. of TCZK 129,100, from Poštová banka, a.s. of TCZK 250,444, from J&T BANKA, a.s. of TCZK 1,310,028, from J&T SERVICES ČR, a.s. of TCZK 35,000 and from J&T bank a.o. of TCZK 16. The Company also had revenue of TCZK 22,308 from holding the perpetuity of J&T BANKA, a.s.

The registered offices of the subsidiaries are as follows:

Poštová banka, a.s.	PBI, a.s.	J&T INTEGRIS GROUP LTD
Dvořákovo nábrežie 4	Sokolovská 394/17	Klimentos 41-43,
811 02 Bratislava	186 00 Praha 8	Klimentos Tower 2nd floor, flat/office 21
Slovak Republic	Czech Republic	1016 Nicosia
		Cyprus

J&T BANKA, a.s.	J&T Wine Holding SE	J&T Bank (Schweiz) AG in Liquidation
Pobřežní 297/14	Pobřežní 297/14	Talacker 50
186 00 Praha 8	186 00 Praha 8	CH-8001 Zurich
Czech Republic	Czech Republic	Schweiz

J&T SERVICES ČR, a.s.	J&T Mezzanine, a.s.	Compact Property Fund, i.f. s proměnným základním kapitálem
Pobřežní 297/14	Pobřežní 297/14	Na Příkopě 393/11
186 00 Praha 8	186 00 Praha 8	110 00 Praha – Staré Město
Czech Republic	Czech Republic	Czech Republic

b) Short-term investments

Securities held for trading

In thousands of CZK	Ownership	Shares held	Nominal share value in CZK	Acquisition cost	Received shares on profit	31/12/2017 Fair value	31/12/2016 Fair value
Best Hotel Properties a.s.	6.57%	2,300,000	25.54	767,653	–	48,756	87,004
Tatry mountain resort, a.s.	2.64%	177,076	178.78	137,003	–	119,892	–
Total securities held for trading	**–**	**–**	**–**	**904,656**	**–**	**168,648**	**87,004**

Own purchased bills

In thousands of CZK	Acquisition cost	Received shares on profit	31/12/2017 Fair value	31/12/2016 Fair value
ARCA Capital Slovakia, a.s.	–	–	–	177,755
Total own purchased bills	**–**	**–**	**–**	**177,755**

Debt securities

In thousands of CZK	Number of debt securities owned	Nominal value of debt securities	Acquisition cost	31/12/2017 Fair value	31/12/2016 Fair value
EPH Financing CZ	–	1,000 EUR	69,239	–	69,255
EUROVEA	–	1,000 EUR	739,571	–	808,266
JTGF V	–	1,000 EUR	69,744	–	69,765
TMR II	–	1,000 EUR	790,821	–	791,065
Czech government bond 2013-2028, 2.50%	--	10,000 CZK	402,307	–	402,353
Total debt securities	–	–	–	–	2,140,702
Total short-term investments	**–**	**–**	**–**	**168,648**	**2,405,461**

5. IMPAIRMENT ALLOWANCES TO LONG-TERM INVESTMENTS

In thousands of CZK	Allowances to ownership interests	Allowances for other long-term securities	Total
Balance at 1/1/2017	2,911,922	–	2,911,922
Additions	(234,930)	–	(234 930)
Release/utilization	–	–	–
Balance at 31/12/2017	**2,676,992**	**–**	**2,676,992**

In thousands of CZK	Allowances to ownership interests	Allowances for other long-term securities	Total
Balance at 1/1/2016	2,903,010	–	2,903,010
Additions	8,912	–	8,912
Release/utilization	–	–	–
Balance at 31/12/2016	**2,911,922**	**–**	**2,911,922**

J&T Bank Switzerland entered into liquidation in 2012. The additional provisioning in 2017 is related only to the exchange rate revaluation of an existing allowance at the end of the accounting period. An allowance to this interest of TCZK 856,561 (TCHF 39,249) was created at the end of accounting period. Foreign exchange differences for 2017 amounted to TCZK (131,169).

For an allowance to the investment in J&T INTEGRIS GROUP LIMITED only foreign exchange revaluation was carried out as at 31 December 2017. Impairment allowances totalling TCZK 1,790,586 (TEUR 70 109) were created. Foreign exchange differences for 2017 amounted to TCZK (103,761).

J&T FINANCE GROUP, a.s. created impairment allowance of TCZK 29,845 for its investment in J&T SERVICES ČR, a.s.

6. INVENTORIES

Inventories of material comprise access cards to the building that will be subsequently handed over to the lessees, and amount to TCZK 60 (2016 – TCZK 127).

7. TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables total TCZK 220,685 (2016 – TCZK 195,072), of which TCZK 194,701 (2016 – TCZK 10,092) is overdue. An allowance of TCZK 171,702 (2016 – TCZK 124 469) was created for these receivables.
b) The value of short-term receivables to the controlled or controlling person or the person with substantial influence represents borrowings amounting to TCZK 137,463 (2016 – TCZK 1,034,321).
c) The value of short-term receivables to associated companies represent borrowings, which were fully repaid during 2017 (2016 – TCZK 57,125).
d) Other short-term trade receivables as at 31 December 2017 of TCZK 3,492,955 (2016 – TCZK 6,957,999) also comprise loans and borrowings provided by the Company. The remaining part of other short-term receivables of TCZK 1,164,291 (2016- TCZK 1,228,828) consists mainly of receivables from three companies.
e) Other long-term receivables of TCZK 9,945,090 (2016 – TCZK 9,340,170) are due in more than one year. These receivables represent loans and borrowings provided by the Company. One loan totalling TCZK 61 685 will mature in more than 5 years (the due date is March 31, 2025). An increase in long-term receivables was due to loans and borrowings provided by the Company in total amount of TCZK 49,927. The rest of the increase is due to the extending of maturity of short-term receivables in total amount of TCZK 554,993.

Summary of loans and borrowings:

In thousands of CZK	31 December 2017	31 December 2016
Loans and borrowing provided – short-term	3,630,418	8,049,445
Loans and borrowing provided – long-term	9,945,090	9,340,170
Total	**13,575,508**	**17,389,615**

Short-term loans and borrowing were provided to the controlled persons of TCZK 137,463 (2016 – TCZK 1,033,321), recognized in Note b), to persons under substantial influence amounting to TCZK 0 (2016- TCZK 57,157) and to third parties of TCZK 3,492,955 (2016 – TCZK 6,957,999) recognized as Other receivables as described in Note 7d.

In the current period the Company provided its clients with a total of 12 short-term loans and borrowings and 20 long-term loans (contracted in the current period or in the previous years). In the prior period (2016) this concerned 24 short-term loans and borrowings and 13 long-term loans.

None of the above short-term/long-term loans/borrowings were overdue.

The company does not have any other long-term receivables due in more than 5 years, except for those mentioned in Note e).

The companies whose loans were due by the end of 2017 prolonged the maturity of the particular loans by one calendar year, in minimum.

f) Short-term trade payables total TCZK 3,691 (2016 – TCZK 5,758), of which TCZK 0 (2016 – TCZK 0) is overdue.

g) Short-term bills of exchange payable consist of bills of exchange below:

In thousands of CZK	31 December 2017	31 December 2016
Bills of exchange provided – due within 1 year	828,823	537,532
Bills of exchange provided – due upon presentation	3,314	51,777
Total	**832,137**	**589,309**

J&T FINANCE GROUP SE as at 31 December 2017 has bills of exchange provided by 6 creditors (contracted in 2017 or in the previous years). In the prior accounting period there were 5 creditors.

None of these bills of exchange are past their due date. Payables to partners of TCZK 40,107 (2016 – TCZK 42,431) relate to dividends.

h) Other short-term payables as at 31 December 2017 of TCZK 228,386 (2016 – TCZK 527,980) primarily relate to currency forwards (in 2016 related to sold options).

8. SHORT-TERM ADVANCES PROVIDED AND RECEIVED

Short-term advances provided as at 31 December 2017 of TCZK 10,362 (2016 – TCZK 17,723) consist of advances provided for services of TCZK 6,478 (2016 – TCZK 101), advances provided to a securities trader of TCZK 393 (2016 – TCZK 13,929) and advances provided for purchase of securities of TCZK 3,491 (2016 – TCZK 3,693).

Company records short-term advances received as at 31 December 2017 for sale of securities of TCZK 0 (2016 – TCZK 888,221).

9. SHORT-TERM OVERDRAFTS

In thousands of CZK	31 December 2017	31 December 2016
Loans and borrowings received – short-term	0	18,252
Loans and borrowings received – short-term – group undertakings	5,303,343	11,502,216
Total	**5,303,343**	**11,520,468**

As at 31 December 2017 J&T FINANCE GROUP SE received loans and borrowings from 3 creditors (contracted in 2017 or in the previous years). In the prior accounting period there were 5 creditors.

None of these loans are past their due date.

10. LONG-TERM OVERDRAFTS AND BONDS

Broken down according to maturity

In thousands of CZK	31 December 2017	31 December 2016
1 – 2 years	10,859,791	4,030,088
2- 5 years	4,514,766	5,667,890
More than 5 years	0	1,352,409
Total	**15,374,557**	**11,050,387**

As at 31 December 2017 J&T FINANCE GROUP SE records long-term loans and borrowings received due within 1 – 2 years from 4 creditors (contracted in 2017 or in the previous years); in the prior accounting period it was 1 creditor. Loans and borrowings due within 2 – 5 years were from 4 creditors; in the prior accounting period it were 2 creditors. Loans and borrowings due in more than 5 years were from none of creditors; in the prior accounting period there were 3 creditors; these liabilities represented in 2017 issued bonds and long-term loans and in 2016 issued bonds.

The paragraph Long-term overdrafts and bonds relates to the balance sheet line 111 Other debentures and bonds and 116 Liabilities – group undertakings.

As at 31 December 2017, the Company recognizes also a long-term loan to a credit institution. This loan is described in Note 17.

None of these loans are past their due date.

Other long-term payables consist of retention of TCZK 71 (2016 – TCZK 64).

11. PREPAID EXPENSES

Prepaid expenses of TCZK 20,751 (2016 – TCZK 35,486) are primarily related to fees related to bonds issuance of TCZK 20,568 (2016 – TCZK 35,098) and prepaid expenses of the administrative branch for property insurance and rent of TCZK 683 (2016 – TCZK 375).

In 2017 prepaid expenses of TCZK 12,888 (2016 – TCZK 59,174) consist solely of accrued expenses related to reimbursement of expenses for usual services (2016 – TCZK 14,048). In 2016 prepaid expenses further consisted of expenses related to re-invoiced fees related to issue of bonds by a related company – TCZK 45,126.

12. DERIVATIVES

The fair value of financial derivatives is reported in other receivables (if positive) or other payables (if negative).

The Company held the following financial derivatives for trading:

31.12.2017

In thousands of CZK	Due date (expiry)	Nominal value at 31/12/2017	Fair value at 31/12/2017
TERM TRANSACTION REPORTED IN OTHER RECEIVABLES			
Forward sale RUB/CZK	2018	96,000 TRUB	(752)
Forward sale EUR/CZK	2018	45,000 TEUR	(6,250)
Total swaps and forwards at 31/12/2017	**–**	**–**	**(7,002)**
Purchased equity options	–	–	84,155
Total equity options as at 31/12/2017	**–**	**–**	**84,155**

31.12.2016

In thousands of CZK	Due date (expiry)	Nominal value at 31/12/2016	Fair value at 31/12/2016
TERM TRANSACTION REPORTED IN OTHER RECEIVABLES			
Forward sale RUB/CZK	2017	106,000 TRUB	(3,506)
Forward sale EUR/CZK	2017	876,822 TEUR	(4,649)
Total swaps and forwards at 31/12/2016	**–**	**–**	**(8,155)**
Purchased equity options	–	–	50,134
Sold equity options	–	–	(518,193)
Total equity options as at 31/12/2016	**–**	**–**	**(468,059)**

As at 14 February 2008 the Company terminated a hedging derivative for a foreign exchange investment in Swiss francs. The nominal value of a derivative was TCHF 24,950. The revaluation of this derivative of TCZK 29,485 was recorded in account 414 – revaluation of ownership interest, when this balance will be held until the liquidation of this investment.

As at 27 June 2017, the Company has decided to hedge part of its net foreign currency investments and opened a hedging derivative for part of its foreign currency investments in Poštová banka, a.s. and J&T INTEGRIS GROUP LIMITED in value of TEUR 600,000. Nominal value of the derivative was TEUR 600,000. The derivative reached maturity on 27 December 2017. The change in the fair value of the hedging instrument attributable to the hedged translation risk in the amount of TCZK 258,000 was recorded on account 414- revaluation of ownership interest. Exchange rate differences in total amount of TEUR (258,000) relating to the hedged net investments were also recorded on this account. After the maturity new hedging derivative with similar parameters (see the table below) was concluded.

As at the balance sheet date the Company held following hedging derivatives

2017

Hedging instrument	Hedged asset/liability	Change in value of the hedging instrument	Foreing Exchange differences from hedged investments	Carrying amount of hedging instrument at 31/12/2017
Forward sale EUR/CZK TEUR 600,000	Part of net investments in Poštová banka, a.s. and J&T INTEGIRS GROUP LIMITED in total value of TEUR 600,000	+180,000	(180,000)	2,216

13. ALLOWANCES TO RECEIVABLES

In thousands of CZK	**Allowances to receivables**
Balance at 1/1/2017	882,073
Additions	5,985
Release/utilization	(249)
Balance at 31/12/2017	**887,809**

14. REGISTERED CAPITAL

In thousands of CZK	**Registered capital**
Balance at 1/1/2017	15,780,308
Balance at 31/12/2017	15,780,308
Registered capital at 31/12/2017 consists of following:	
10 bearer shares at CZK 200,000 per share	2,000
1 999 556 188 bearer shares at CZK 1 per share	1,999,556
13 778 752 bearer shares at CZK 1,000 per share	13,778,752
Total	**15,780,308**

15. EQUITY

In thousands of CZK	
A) THE PLANNED DISTRIBUTION OF THE CURRENT YEAR'S PROFIT:	
Current year profit	2,159,568
Transfer to capital funds	(254,600)
Transfer to retained profits	(1,904,968)
Retained earnings	**0**
B) MOVEMENTS IN THE "CAPITAL FUNDS" ACCOUNT:	
Balance at 1/1/2017	5,518,116
Change in valuation of an ownership interest	(1,179,029)
Change in valuation from hedging derivatives	438,000
Balance at 31/12/2017	**4,777,087**
C) MOVEMENTS IN THE FUNDS FROM PROFIT ACCOUNT (STATUTORY AND OTHER FUNDS):	
Balance at 1/1/2017	446,902
Transfer of profit for the previous period to perpetuity fund	485,000
Interest from perpetuity certificates paid	(476,775)
Balance at 31/12/2017	**455,127**
D) "SHARE PREMIUM" AND "CAPITAL FUNDS" COMPRISES:	
Share premium	2,551,766
Contribution to registered capital (in the dissolved company TECHNO PLUS)	208,882
Perpetuity*	5,407,000
Revaluation of ownership interest in J&T INTEGRIS GROUP LTD	(562,134)
Revaluation of ownership interest in J&T Bank (Schweiz) AG in Liquidation	(24,829)
Revaluation of Poštová banka, a.s. shares	(734,845)
Hedging derivative for investment in J&T Bank (Schweiz) AG	29,485
Hedging derivative for investment in Poštová banka, a.s. and J&T INTEGRIS GROUP LTD	438,000
Revaluation Steel Assets Management Limited B.V. shares	(2)
Revaluation SANDBERG INVESTMENTZ FUND SICAV P.L.C. shares	7,204
Revaluation of NOVA Real Estate, investiční fond s proměnlivým základem shares	8,326
Balance at 31/12/2017	**7,328,853**
E) MOVEMENTS IN RETAINED EARNINGS:	
Balance at 1/1/2019	6,014,803
Transfer of profit/loss for the previous period	(74,714)
Transfer of retained earnings to perpetuity fund	(485,000)
Balance at 31/12/2017	**5,455,089**

* In 2016, J & T FINANCE GROUP SE issued and sold to its shareholders subordinated unsecured income certificates without a maturity date with a nominal value of TCZK 5,407,000 and with a yield of 9% p.a. for the first four six-month yield periods and a yield of 5% p.a. for the following yield periods, depending on the fulfilment of conditions specified in the certificate leaflet.

16. PROVISIONS

In thousands of CZK	Provision for CIT	Other provisions	Total
Balance at 1/1/2017	0	77,166	77,166
Additions	2,680	217	2,897
Utilization	0	0	0
Release	0	(72,336)	(72,336)
Balance at 31/12/2017	**2,680**	**5,047**	**7,727**

Provision for income tax of TCZK 14,019 (2016 – TCZK 0) was lowered by paid advances on income tax of TCZK 11,339 (2016 – TCZK 28,100). The resulting liability amounts to TCZK 2,680 (2016 – receivable of TCZK 28,091 recognized under the section State – tax receivables).

17. LIABILITIES TO CREDIT INSTITUTIONS

31.12.2017

In thousands of CZK	Currency	Principal	Percentages	Interests at 31/12/2017	Due date of principal	Due date of interest	Translation to TCZK
Prima banka	EUR	59,000,000	4.75%	101,201	19.12.2018	1x in 3 months	1,509,445
Privatbanka	CZK	306,200,000	4.75%	0	29.12.2021	1x in 3 months	306,200
Total		–	–	–	–	–	**1,815,645**

In addition, as at 31 December 2017, the interest on overdrafts from J & T BANKA, a. s. of EUR 8 215, equivalent to TCZK 209 is recorded under liabilities to credit institutions.

The short-term loan was extended by one year in December 2017.

31.12.2016

In thousands of CZK	Currency	Principal	Percentages	Interests at 31/12/2016	Due date of principal	Due date of interest	Translation to TCZK
Prima banka	EUR	39,000,000	4.75%	66,104	19.12.2017	1x in 3 months	1,055,566
Total		–	–	–	–	–	**1,055,566**

In addition, as at 31 December 2016, the interest on overdrafts from J & T BANKA, a. s. of EUR 193, equivalent to TCZK 5 is recorded under liabilities to credit institutions.

18. REVENUES

Selected items of revenues are summarised below:

In thousands of CZK	Year	Domestic sales	Europe	Total
Interest revenue	2017	77,901	755,797	833,698
Interest revenue	2016	11,783	742,424	754,207
Guarantees and warranties	2017	31,674	54,817	86,491
Guarantees and warranties	2016	13,861	72,443	86,304
Other financial revenues	2017	684,242	888,234	1,572,476
Other financial revenues	2016	14,876	436,557	451,433
Revenues from shares	2017	1,496,437	250,460	1,746,897
Revenues from shares	2016	360,719	662,093	1,022,812
Other revenues from long-term financial assets	2017	2,799,655	4,570,543	7,370,198
Other revenues from long-term financial assets	2016	0	937,967	937,967
Total 2017	**2017**	**5,089,910**	**6,519,851**	**11,609,760**
Total 2016	**2016**	**401,239**	**2,851,484**	**3,252,723**

19. SERVICES

In thousands of CZK	2017	2016
Repairs and maintenance	1,415	3,001
Travel expenses	7,209	3,173
Representation costs	3,060	2,674
Rent and administration of buildings	4,208	4,126
Telecommunication services	1,334	434
Advisory services, audit and accounting	53,188	51,008
Other	51,045	59,289
Total	**121,459**	**123,705**

20. FEES PAYABLE TO STATUTORY AUDITORS

In thousands of CZK	2017	2016
Statutory audit	6,248	6,435
Other assurance services	–	–
Other non-audit services	–	34
Total	**6,248**	**6,469**

21. EMPLOYEES AND MEMBERS OF MANAGEMENT, SUPERVISORY AND ADMINISTRATIVE BODIES

In thousands of CZK	2017 Average recalculated number	2016 Average recalculated number	2017 Wage costs*	2016 Wage costs*
Employees	14	14	14,552	12,579
Members of management	5	5	86	240
Members of the supervizory bodies	3	3	600	421
Total	**22**	**22**	**15,238**	**13,240**

* The personnel expenses of members of management, supervisory and administrative bodies represent remuneration to members of these bodies for the performance of their function.

As at 31 December 2017, no pension liabilities were incurred in respect of former members of the management, supervisory and administrative bodies.

22. INCOME TAX

a) Current tax

Current income tax includes estimate of income tax for the tax period 2017 amounting to TCZK 14,619 (2016 – TCZK 136).

b) Deferred tax

In thousands of CZK	2017 Assets	2016 Assets	2017 Liabilities	2016 Liabilities	2017 Net	2016 Net
Tangible fixed assets	–	–	(3,238)	(6,437)	(3,238)	(6,437)
Intangible fixed assets	–	–	(16)	(16)	(16)	(16)
Deferred tax asset/(liability)	**–**	**–**	**(3,254)**	**(6,453)**	**(3,254)**	**(6,453)**

In accordance with the accounting policy described in note 2 j), a tax rate of 19% was used to calculate deferred tax (2016 – 19%).

Based on the prudence approach, the deferred tax receivable from tax losses of TCZK 0 was not reported (2016 – TCZK 476,138).

23. RELATED PARTIES

a) Transactions with related parties

In thousands of CZK	2017 Volume of mutual transactions	2016 Volume of mutual transactions	2017 Receivables/ Payables at 31 December	2016 Receivables/ Payables at 31 December
SALE OF GOODS AND SERVICES				
Other companies in the group	683,696	74,928	51,657	73,342
PURCHASE OF GOODS AND SERVICES				
Other companies in the group	57,134	51,587	27,855	66,532
LOANS GRANTED				
Shareholders of the Company	–	52,302	–	–
Other companies in the group	66,766	749,387	2,779,770	1,465,339
LOANS RECEIVED				
Shareholders of the Company	–	–	40,107	42,432
Other companies in the group	897,782	1,164,690	19,399,572	21,200,199

Loans received are included in the long-term and short-term payables and are described in notes 9 and 10. Loans granted are described in notes 2 and 7.

The Company purchases materials, utilises services and sells products to related parties as part of its regular business activities. All material transactions with related parties were carried out based on the arm's length principle.

In the course of 2017, the Company realized dividend income of TCZK 1,746,987 as stated in note 4.

b) In 2017 and 2016, members of management, supervisory and administrative bodies received no advances, loans, guarantees granted nor any other benefits and did not own any shares in the Company.

24. LEASED PROPERTY

Operating leases

The Company leases three cars under operating leases. The related expenses for 2017 amount to TCZK 1,245 (2016 – TCZK 1,221).

25. RECEIVABLES AND PAYABLES NOT RECOGNIZED IN THE BALANCE SHEET

a) The Company has receivables of TCZK 2,354,165 (2016 – TCZK 2,326,337) and payables from equity options of TCZK 2,348,115 (2016 – TCZK 2,317,989).
b) The Company provides guarantees for loans totalling TCZK 15,091,295 (2016 – TCZK 19,193,163).
c) The Company received pledges to provided loans totalling TCZK 1,966,607 (2016 – TCZK 233,099).
d) The Company received the credit facilities and various guarantees of TCZK 3,638,502 (2016 – TCZK 4,839,701).
e) The Company received bills of exchange pledges for the loans received totalling TCZK 1,815,645 (2016 – TCZK 1,104,129).
f) As at 31 December 2017 the Company had currency forwards, receivables of TCZK 16,525,980 (2016 – TCZK 23,743,227) and payables of TCZK 16,508,599 (2016 – TCZK 23,749,553) recorded off-balance sheet.

26. CASH FLOW STATEMENT

For preparation of the cash flow statement, cash and cash equivalents are defined to include cash on hand, cash in transit, cash on bank accounts, and other financial assets whose value can be reliably determined and can be easily converted to cash. The outstanding balance of cash and cash equivalents is as follows:

In thousands of CZK	31 December 2017	31 December 2016
Cash in hand	312	273
Cash in current accounts	701,672	85,702
Cash and cash equivalents	**701,984**	**85,975**

Cash flows from operating, investing or financing activities are reported in the cash flow statement uncompensated.

27. MATERIAL SUBSEQUENT EVENT

On 27 March 2017, J&T FINANCE GROUP SE received a notice from the Antimonopoly Office of the Slovak Republic about the commencement of administrative proceedings regarding a possible breach of antimonopoly law by an unannounced transaction- the acquisition of a 40% stake in Panta Rhei, s.r.o. by Diversified Retail Company, a.s. According to the preliminary considerations of the Antimonopoly Office, J&T FINANCE GROUP SE allegedly gained joint control over Panta Rhei, s.r.o. by exercising rights on behalf of Diversified Retail Company, a.s. without notifying the transaction to the Antimonopoly Office and exercised the rights and duties arising from such control without prior approval of the Antimonopoly Office. J&T FINANCE GROUP SE denies that it acquired control over Panta Rhei, s.r.o. and disputes all the alleged breaches. The proceedings had not been concluded at the time of issuance of the financial statements. The possible penalty can range from EUR 700 thousand to EUR 7,000 thousand.

In March 2016 the shareholders of the Group entered into several agreements with CEFC, with the original aim of CEFC to acquire a 50% share in the Group. The transaction was subject to regulatory approval both in China and countries where the Group operates. In March 2018, the application for regulatory approval was withdrawn by CEFC and the purchase of additional share in the Group was abandoned. In May 2018 Rainbow Wisdom Investment Limited, a member of the CITIC Group, took over the shareholding of CEFC in JTFG. JTFG and CITIC Group will engage in negotiations about further and deeper cooperation between both groups.

At the balance sheet date, no other significant subsequent events affecting the financial statements as at 31 December 2017 were known to management.

Text part of the annual report

Description of the Company

Company name: J&T FINANCE GROUP SE
Registered office: Praha 8, Pobřežní 297/14, post code 186 00, Czech Republic
Identification number: 275 92 502
Legal form: european society
Registered in: the Commercial Register maintained by the Metropolitan Court in Prague, section H, insert 1317
Principal business activities: manufacturing, trade and services not listed in appendices 1 to 3 of the Trades Licensing Act
Principal activities: the acquisition and holding interests in legal entities.

Board of Directors of the Company as at 31 December 2017

Chairman of the Board of Directors: Jozef Tkáč
Vice-chairman of the Board of Directors: Patrik Tkáč
Vice-chairman of the Board of Directors: Ivan Jakabovič
Vice-chairman of the Board of Directors: Dušan Palcr
Member of the Board of Directors: Gabriela Lachoutová

Supervisory Board of the Company as at 31 December 2017

Chairman of the Supervisory Board: Marta Tkáčová
Member of the Supervisory Board: Ivan Jakabovič
Member of the Supervisory Board: Jana Šuterová

Information about the activities of the Company

The nature of the Company's business activities has not changed compared to the previous accounting period. The Company administers its assets and enlarges its volume.

Financial results of the Company

The Company has a long history as a strong and stable institution. As at 31 December 2017, the Company recorded assets of CZK 54.8 billion, equity of CZK 31.2 billion and the registered capital of CZK 15.8 billion. In the accounting period, the Company achieved profit of CZK 2.2 billion.

The balance of Company's assets and its financial position is disclosed in the financial statements as at 31 December 2017, which are attached as an independent appendix to the annual report. Detailed information on the balance of Company's assets is included in the financial section of the Company's annual report.

Information about expected economic development in 2018

In 2018, the Company will continue to focus all its activities on the administration of own assets by means of ownership shares in subsidiaries, provision of guarantees; and the fulfilment of obligation arising thereof.

Information about the administrative branches of the Company:

Company has an administrative branch which was established in Slovakia. It was recorded in the Commercial Register under name J&T FINANCE GROUP SE, organizačná zložka, ID: 47 251 735, registered office Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak republic.

Research and development expenditures

In the reporting period, the Company did not incur any research and development expenditures

Environmental protection

In the period from 1 January 2017 to 31 December 2017, the Company realised no environmental protection activities

Declaration

The Board of Directors of the Company declares that all information and disclosures in this annual report are true and free of any material omission.

Prague, 28.5.2018

Dušan Palcr
Vice-chairman of the Board of Directors
J&T FINANCE GROUP SE

Gabriela Lachoutová
Member of the Board of Directors
J&T FINANCE GROUP SE

Report on relations

Report on relations between the controlling entity and the controlled entity, and between the controlled entity and other entities controlled by the same controlling entity for the reporting period 2017 of J&T FINANCE GROUP SE.

Prepared in accordance with Section 82 of Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (the Act on Business Corporations).

This report has been prepared by the Board of Directors of J&T FINANCE GROUP SE, with its registered office at Pobřežní 297/14, P.C. 186 00 Praha 8, ID: 275 92 502, registered in the Commercial Register maintained by the Metropolitan Court in Prague, section H, insert 1317 („the Company“), based on data available. The period covered by the report: from 1 January 2017 to 31 December 2017 (hereinafter referred to as the "2017 accounting period").

I. The structure of relations between the controlling entities and the controlled entity, and between the controlled entity and entities controlled by the same controlling entity, the role of the controlled entity in the structure, and manner and means of control.

1.1 The Board of Directors of the Company is aware that during the period from 1 January 2017 to 31 December 2017, the Company was directly controlled by the following persons:

Ivan Jakabovič,
Date of birth: 8 October 1972, residing at 41 Avenue HECTOR OTTO, 98000 MONACO-VILLE, Principality of Monaco, who, along with Jozef Tkáč (see below), controls J&T FINANCE GROUP SE (hereinafter „Ivan Jakabovič“ or also „Controlling entity“).

In addition, Ivan Jakabovič owns shares in the following companies:

– **J & T Securities, s.r.o.**
  ID: 31 366 431, with its registered office at Bratislava, Dvořákovo nábrežie 8, P.C. 811 02 Bratislava, Slovak Republic.
– **J&T MINORITIES PORTFOLIO LIMITED**
  ID: HE 260754, with its registered office at Kyriakou Matsi, NIKIS CENTER, 3rd Floor, office 301, P. C. 2012 Nicosia, Cyprus,
  Ivan Jakabovič has 19.7% share in this company, (since 28 December 2017).

Jozef Tkáč,
Date of birth: 16 June 1950, residing at Bratislava, Júlová 10941/32, P.C. 831 01 Bratislava, Slovak Republic, who, along with Ivan Jakabovič (see above), controls J&T FINANCE GROUP SE, (hereinafter „Jozef Tkáč“ or also „Controlling entity“).

In addition, Jozef Tkáč owns shares in the following company:

– **J&T MINORITIES PORTFOLIO LIMITED**
  ID: HE 260754, with its registered office at Kyriakou Matsi, NIKIS CENTER, 3rd Floor, office 301, P. C. 2012 Nicosia, Cyprus,
  Jozef Tkáč has 19.7% share in this company, (since 28 December 2017).

1.2 The Board of Directors of the Company is aware that during the accounting period 2017 the Company was part of the following structure:

J&T FINANCE GROUP SE controls below mentioned entities:

– **J&T INTEGRIS GROUP LIMITED**
  ID: HE 207436, with its registered office at 11 Kyriakou Matsi, NIKIS CENTER, 3rd Floor, Office 301 P.C. 1082, Nicosia, Cyprus.

In addition, this company controls:

- **Bayshore Merchant Services Inc.**
  ID: 01005740, with its registered office at TMF Place, Road Town, Tortola, British Virgin Islands.

  In addition, this company controls:

  - **J&T Bank & Trust Inc.**
    ID: 00011908, with its registered office at Lauriston House, Lower Collymore Rock, St. Michael, Barbados.
  - **J and T Capital, Sociedad Anonima de Capital Variable**
    ID: 155559102, with its registered office at Explanada 905-A, Lomas de Chapultepec, 11000, Ciudad de Mexico, Mexico.

- **J&T MINORITIES PORTFOLIO LIMITED**
  ID: HE 260754, with its registered office at registered office at Kyriakou Matsi, NIKIS CENTER, 3rd Floor, Office 301, P. C. 1082 Nicosia, Cyprus, J & T INTEGRIS GROUP LIMITED has 60.60% share in this company.

  In addition, this company controls:

  - **Equity Holding, a.s.**
    ID: 100 05 005, with its registered office at Pobřežní 297/14, Karlín, 186 00 Praha 8, Czech Republic, J & T MINORITIES PORTFOLIO LIMITED has 62.64% share in this company.

- **J&T Global Finance III, s.r.o.**
  ID: 47 101 181, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic.
- **J&T Global Finance IV., B.V. in liquidation**
  ID: 60411740, with its registered office at La Fontainestraat 7, 1902CW, Castricum, Kingdom of the Netherlands.
- **J&T Global Finance V., s.r.o.**
  ID: 47 916 036, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic.
- **J&T Global Finance VI., s.r.o.**
  ID: 50 195 131, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic.
- **J&T Global Finance VII., s.r.o.**
  ID: 052 43 441, with its registered office at Pobřežní 297/14, Karlín, 186 00 Praha 8, Czech republic.
- **J&T Global Finance VIII., s.r.o.**
  ID: 060 62 831, with its registered office at Pobřežní 297/14, Karlín, 186 00 Praha 8, Czech republic, (since 1 May 2017).

- **J&T SERVICES ČR, a.s.**
  ID: 281 68 305, with its registered office at Pobřežní 297/14, Karlín, 186 00 Praha 8, Czech Republic.

  In addition, this company controls:

  - **J&T SERVICES SR, s.r.o.**
    ID: 46 293 329, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic.
  - **J & T FINANCE, LLC**
    ID: 1067746577326, with its registered office at Kadashevskaya embankment, 26, Moscow, Russian Federation.

  In addition, this company controls:

    - **Hotel Kadashevskaya, LLC**
      ID: 1087746708642, with its registered office at Kadashevskaya Nabereznaya 26, 115035 Moscow, Russian Federation.

- **J&T Bank Switzerland Ltd. in liquidation**
  ID: CH02030069721, with its registered office at Talacker 50, 12th floor, P.C. 8001, Zürich, Swiss Confederation.

- **J&T Mezzanine, a.s.**
  ID: 066 05 991, with its registered office at Pobřežní 297/14, Karlín, 186 00 Praha 8, Czech Republic, (since 15 November 2017).

- **J&T Wine Holding SE**
  ID: 063 77 149, with its registered office at Pobřežní 297/14, Karlín, 186 00 Praha 8, Czech Republic, (since 15 November 2017).

  In addition, this company controls:
  - **KOLBY, a.s.**
    ID: 255 12 919, with its registered office at Česká 51, 691 26 Pouzdřany, Czech Republic, (since 12 September 2017).
  - **SAXONWOLD LIMITED**
    ID: 508611, with its registered office Cam Lodge, Kilquaide, The Russian Village, Co. Wicklow, A63 FK24, Ireland, J&T Wine Holding SE has 80% share in this company, (since 14 September 2017).

    In addition, this company controls:
    - **WORLD END LLC**
      ID: 200807010154, with its registered office 5 Financial Plaza, 116, Cnr Trancas & Big Ranch Road, Nap, California, 94558, United States of America.

  - **OUTSIDER LIMITED**
    ID: HE 372202, with its registered office at Klimentos, 41-43, KLIMENTOS TOWER, 2nd floor, Office 21, P.C. 1061, Nicosia, Cyprus, (since 14 September 2017).

    In addition, this company controls:
    - **SOCIETE CIVILE D'EXPLOITATION AGRICOLE DU CHATEAU TEYSSIER**
      ID: 316 809 391, with its registered office Château Teyssier, Vignonet, 33330, Saint Emilion, France.
    - **CT Domaines SARL**
      ID: 507 402 386, with its registered office Château Teyssier, Vignonet, 33330, Saint Emilion, France.

- **J & T BANKA, a.s.**
  ID: 471 15 378, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic.

  In addition, this company controls
  - **J&T Bank, a.o. (J&T Bank ZAO)**
    ID: 1027739121651, with its registered office at Kadashevskaya Embankment 26, Moscow, Russian Federation.

  In addition, this company controls:
    - **Interznanie OAO**
      ID: 1037700110414, with its registered office at Kadashevskaya Embankment 26, 115035 Moscow, Russian Federation, J&T Bank, a.o. has 50% share in this company.
    - **AKB “Khovanskiy”a.o.**
      ID: 1025000002411, with its registered office Pushkino, 141207 Pushkinskiy, Pushkinskiy proezd 7, Russian Federation, (since 4 October 2017).

- **ATLANTIK finanční trhy, a.s.**
  ID: 262 18 062, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic.
- **J&T banka d.d. (VABA d.d. banka Varaždin)**
  ID: 0675539, with its registered office at Aleja kralja Zvonimira 1, 42000, Varaždin, Republic of Croatia.
- **J&T IB and Capital Markets, a.s.**
  ID: 247 66 259, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic.

  In addition, this company controls:
  - **Skytoll CZ, s.r.o.**
    ID: 033 44 584, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic.

  In addition, this company owns share in:
  - **XT-card a.s.**
    ID: 274 08 256, with its registered office at Seifertova 327/85, 130 00 Praha 3, Czech Republic, J&T IB and Capital Markets, a.s. has 32% share in this company.
  - **Smart software, s.r.o.**
    ID: 252 92 498, with its registered office at Závodu míru 435/40, Stará role, 360 17 Karlovy Vary, Czech Republic, J&T IB and Capital Markets, a.s. has 5% share in this company.

- **J&T INVESTIČNÍ SPOLEČNOST, a.s.**
  ID: 476 72 684, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic.
- **J&T Leasingová společnost, a.s. (Health Care Financing, a.s.)**
  ID: 284 27 980, with its registered office Pobřežní 297/14, 186 00 Praha 8, Česká republika, (since 22 February 2017).
- **TERCES MANAGEMENT LIMITED**
  ID: HE 201003, with its registered office at Akropoleos 59-61, SAVVIDES CENTER, 1st Floor, Office 102, P.C. 2012, Nicosia, Cyprus.

  In addition, this company controls:
  - **Interznanie OAO**
    ID: 1037700110414, with its registered office at Kadashevskaya Embankment 26, 113035 Moscow, Russian Federation.

- **PBI, a.s.**
  ID: 036 33 527, with its registered office at Sokolovská 394/17, Karlín, 186 00 Praha 8, Czech Republic.

  In addition, this company controls:
  - **Poštová banka, a.s.**
    ID: 31 340 890, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic, PBI, a.s. has 34% share in this company.

- **Poštová banka, a.s.**
  ID: 31 340 890, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic, J&T FINANCE GROUP SE has 64.46% share in this company.

  In addition, this company controls:
  - **Poštová poisťovňa, a.s. (Poisťovňa Poštovej banky, a. s.)**
    ID: 31 405 410, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic.
  - **Dôchodková správcovská spoločnosť Poštovej banky, d.s.s., a. s.**

ID: 35 904 305, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic.
- **PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY, správ. spol., a. s.**
  ID: 31 621 317, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic.
- **PB Servis, a. s.**
  ID: 47 234 571, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic.
- **PB PARTNER, a. s.**
  ID: 36 864 013, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic.
- **PB Finančné služby, a. s.**
  ID: 35 817 453, with its registered office at Hattalova 12, 831 03 Bratislava, Slovak Republic.
- **PB IT, a. s. v likvidácii**
  ID: 47 621 320, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic, (since 1 January 2017 in liquidation).
- **SPPS, a. s.**
  ID: 46 552 723, with its registered office at Nám. SNP 35, 811 01 Bratislava, Slovak Republic, Poštová Banka, a.s. has 40% share in this company.

- **Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.**
  ID: 034 51 488, with its registered office Na příkopě 393/11, Staré Město, 110 00 Prague 1, Czech Republic, (since 14 December 2017).

  The Company owns 100% founders' shares of the investment fund. The Company owns 45.71% allotment certificates indirectly through the company J & T BANKA, a.s. and further 54.29% allotment certificates through the company Poštová banka, a.s.

  In addition, this company controls:
  - **FORESPO SOLISKO a. s.**
    ID: 47 232 935, with its registered office Karloveská 34, 841 04 Bratislava, Slovak Republic.
  - **FORESPO HELIOS 1 a. s.**
    ID: 47 234 032, with its registered office Karloveská 34, 841 04 Bratislava, Slovak Republic.
  - **FORESPO HELIOS 2 a. s.**
    ID: 47 234 024, with its registered office Karloveská 34, 841 04 Bratislava, Slovak Republic.
  - **FORESPO HOREC A SASANKA a. s.**
    ID: 47 232 994, with its registered office Karloveská 34, 841 04 Bratislava, Slovak Republic.
  - **FORESPO PÁLENICA a. s.**
    ID: 47 232 978, with its registered office Karloveská 34, 841 04 Bratislava, Slovak Republic.
  - **INVEST-GROUND a. s.**
    ID: 36 858 137, with its registered office Karloveská 34, 841 04 Bratislava, Slovak Republic.
  - **FORESPO - RENTAL 1 a.s.**
    ID: 36 782 653, with its registered office Karloveská 34, 841 04 Bratislava, Slovak Republic.
  - **FORESPO - RENTAL 2 a. s.**
    ID: 36 781 487, with its registered office Karloveská 34, 841 04 Bratislava, Slovak Republic.
  - **FORESPO BDS a.s.**
    ID: 272 09 938, with its registered office Janáčkovo nábřeží 478/39, Smíchov, 150 00 Prague 5, Czech Republic.
  - **Devel Passage s. r. o.**
    ID: 43 853 765, with its registered office Karloveská 34, 841 04 Bratislava, Slovak Republic.
  - **FORESPO DUNAJ 6 a. s.**
    ID: 47 235 608, with its registered office Karloveská 34, 841 04 Bratislava, Slovak Republic.

- **NOVA Hotels otevřený podílový fond REDSIDE investiční společnost, a.s.**
  ID: 242 44 601, with its registered office V Celnici 1031/4, Staré Město, 110 00 Prague 1, Czech Republic, (since 31 December 2017).

  The Company owns 48.35% allotment certificates indirectly through the company J & T BANKA, a.s. and further 51.65% allotment certificates through the company Poštová banka, a.s.

  In addition, this company controls:
  - **DIAMOND HOTELS SLOVAKIA, s.r.o.**
    ID: 35 838 833, with its registered office Hodžovo nám.2, 816 25 Bratislava, Slovak Republic.
  - **BHP Tatry s. r. o.**
    ID: 45 948 879, with its registered office Dvořákovo nábrežie 6, 811 02 Bratislava, Slovak Republic.

- **J&T REALITY otevřený podílový fond, J&T INVESTIČNÍ SPOLEČNOST, a.s.**
  ID: 476 72 684, with its registered office Pobřežní 297/14, 186 00 Prague 8, Czech Republic.
  The Company owns 53.08% allotment certificates indirectly through the company J & T BANKA, a.s. and further 36.36% allotment certificates through the company Poštová banka, a.s.

1.3 The Board of Directors of the Company is aware that during the accounting period the Company was controlled by the same entities as the following other controlled entities, which, however, were no longer related parties as at 31 December 2017.

- **DANILLA EQUITY LIMITED**
  ID: HE 297027, with its registered office Akropoleos, 59-61 SAVVIDES CENTER, 1st Floor, Office 102, P.C. 2012, Nicosia, Cyprus, (till 28 April 2017).

- **J&T Concierge, s.r.o.**
  ID: 281 89 825, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic, (dissolved by merger with J&T SERVICES ČR, a.s. as at 1 July 2017).

- **PGJT B.V.**
  ID: 57522006, with its registered office at Martinus Nijhofflaan 2, 2624 Delft, Kingdom of the Netherlands, J & T BANKA, a.s. has 50% share in this company, (till 3 July 2017).

- **PROFIREAL OOO**
  ID: 17003675, with its registered office at Office 501, 4 Grivtsova Pereulok, 190000 Saint-Petersburg, Russian Federation, (till 3 July 2017).

Together with the Company, the above mentioned parties are in this report further referred to as „related parties“.

1.4 The role of the Company

The Company acts as a holding company with shares in other legal entities.

1.5 Manner and means of control

The controlling entities control the Company by holding Company's shares of 90.1 % of the voting rights. Therefore, the exercise of the voting rights is the principal means of control. In the accounting period from 1 January 2017 to 31 December 2017, no particular contracts between the controlling entities and the Company in respect of manner and means of control.

II. Summary of acts made in the accounting period of 2017 which were made at the instigation or in the interest of the controlling entity or the entities controlled by the controlling entity if these acts concerned assets the value of which exceeds 10% of the controlled entity’s equity identified from the last financial statements.

In the accounting period, the Company performed no acts at the instigation or in the interest of the controlling entity or the entities controlled by the controlling entity in respect of assets the value of which exceeds 10% of Company's equity.

III. Summary of contracts entered into between the controlled entity and the controlling entity or between controlled entities.

In the accounting period 2017, the following contracts were entered into between the Company and the controlling entity or between the entities controlled by the same controlling entities:

Contracts between the Company and Jozef Tkáč:

- Performance contract
  Scope: chairman of the Board of Directors

Contracts between the Company and Ivan Jakabovič:

- Performance contract
  Scope: vice chairman of the Board of Directors

Contracts between the Company and J & T BANKA, a.s.:

- Guarantee Agreement
  Scope: performance of guarantees of a certain minimum value of the client's portfolio yield
- Contract on the provision of warranty
  Scope: providing warranty to selected bank's clients
- Contract on sharing the liability
  Scope: sharing the potential liability arising from a Purchase agreement with the original assignees of the subordinated debt
- Contract on the business lease of movable property
  Scope: inventory lease
- Contract on the lease of movable property and financial settlement
  Scope: inventory lease in the building at Dvořákovo nábrežie 8, Bratislava
- Contract on cooperation in the provision of J&T Family and Friends banking services and participation in the Magnus loyalty programme
  Scope: provision of J&T Family and Friends and Magnus loyalty system programme
- Contract on financial settlement
  Scope: settlement of receivables and liabilities resulting from value added tax as they are members of one VAT group
- Contract on mediation
  Scope: concluding contracts with potential clients
- Cost allocation contract
  Scope: cost distribution in relation to the entry of the strategic investor
- Contract on the lease of movable property and financial settlement
  Scope: inventory lease in the building River Park, Bratislava
- Agreement on cost distribution
  Scope: distribution of cost of consolidation package audit
- Contract on the provision of services
  Scope: provision of services related to debt securities
- Framework agreement on trading on the financial market
  Scope: negotiation of currency derivative transactions

- Agreement on deposit of securities
  Scope: ensuring deposit of securities
- Contract on the provision of services
  Scope: maintenance of current account in accordance with bank's Terms and Conditions
- Contract on the provision of services:
  Scope: issue of debit cards in accordance with bank's Terms and Conditions
- Contract on the lease of a safe deposit boxes
  Scope: lease of a safe deposit box in accordance with bank's Terms and Conditions
- Contract on the provision of services
  Scope: fixed term transactions with currency instruments in accordance with bank's Terms and Conditions
- Contract on the provision of Internet banking services
  Scope: provision of Internet banking services
- Contract with the administrator and Special arrangement to the contract with the administrator
  Scope: the perpetuity issue
- Contract on subordination
  Scope: subordination of relations with a related party
- Overdraft contract
  Scope: lending Company's funds
- Contract on Sharing Promotion Costs
  Scope: sharing the costs of promoting the J&T financial group within the FED CUP 2017

Smlouvy mezi Společností a J&T SERVICES ČR, a.s.:
- Contract of mandate on the provision of expert tax assistance and advisory
  Scope: tax advisory services
- Contract on personal data processing
  Scope: personal data processing in HR and payroll
- Contract on the provision of professional assistance
  Scope: personnel and payroll administration
- Contract on the provision of services (outsourcing)
  Scope: preparation of consolidated financial statements under IFRS for selected consolidated entities
- Contract on the provision of services- OLAS
  Scope: provision of logistics services
- Contract on the lease of non-residential premises
  Scope: lease of non-residential premises
- Contract on the provision of services
  Scope: provision of services- KIS application
- Contract on the provision of professional assistance
  Scope: bookkeeping
- Contract on the provision of administration assistance
  Scope: administration
- Contract on the lease of movable assets
  Scope: lease of movable assets
- Contract on the lease of motor vehicle
  Scope: lease of a vehicle
- Contract on the provision of services Legal Managements
  Scope: Legal Management services

– Contract on the lease of motor vehicle
  Scope: lease of a vehicle

Contracts between the Company and J&T SERVICES SR, s.r.o.:
– Contract of mandate on the provision of professional assistance and agency contract
  Scope: provision of all acts necessary to ensure Company's existence
– Contract on the lease of movable assets and financial settlement
  Scope: office space

Contracts between the Company and Equity Holding, a.s.:
– Loan agreement
  Scope: lending Company's funds

Contracts between the Company and DANILLA EQUITY LIMITED:
– Contract on the claim assignments
  Scope: assignment of a related party claims
– Loan agreement
  Scope: lending Company's funds to a related party

Contracts between the Company and J&T Bank a.o.:
– Contract on the claim assignment
  Scope: lending Company’s funds to a related party to finance a subordinated debt of AKB “Khovanskiy” a.o.

Contracts between the Company and J&T MINORITIES PORTFOLIO LIMITED:
– Loan agreement
  Scope: lending funds to a related party

Contracts between the Company and J&T INTEGRIS GROUP LIMITED:
– Contract on debt assignment
  Scope: lending Company's funds

Contracts between the Company and J&T Global Finance V., s.r.o.:
– Loan agreement
  Scope: lending Company's funds
– Contract on provision of guarantee
  Scope: provision of guarantee to a related party

Contracts between the Company and J&T Global Finance VI., s.r.o.:
– Loan agreement
  Scope: lending Company's funds
– Contract on provision of guarantee
  Scope: provision of guarantee to a related party

Contracts between the Company and J&T Global Finance VII., s.r.o.:
– Loan agreement
  Scope: lending Company's funds

– Contract on provision of guarantee
  Scope: provision of guarantee to a related party

Contracts between the Company and J&T Global Finance VIII., s.r.o.:

– Loan agreement
  Scope: lending Company's funds
– Contract on provision of guarantee
  Scope: provision of guarantee to a related party

Contracts between the Company and J&T Mezzanine, a.s.:

– Loan agreement
  Scope: lending Company's funds

Contracts between the Company and J&T Wine Holding SE:

– Loan agreement
  Scope: lending Company's funds

Contracts between the Company and Poštová Banka, a.s.:

– Overdraft contract
  Scope: lending Company's funds

IV. Assessment of whether the controlled entity incurred a loss and judgment of its settlement under Sections 71 and 72 of the Act on Business Corporations.

All contracts listed under Section III of this report on relations were concluded in accordance with the arm's length principle. All performances received or rendered based on these contracts were also realised in accordance with the arm's length principle. Thus, the Company incurred no loss in relation to these transactions that would require to be settled in accordance with Sections 71 and 72 of the Act on Business Corporations.

During the accounting period 2017, no other legal acts except those listed in this report were adopted, no other measures were made, no performances were rendered or received in the interest or at the instigation of controlling entities or controlled entities on which the Company would incur a loss that would require to be settled in accordance with Sections 71 and 72 of the Act on Business Corporations.

V. Assessment of advantages and disadvantages arising from relations between the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity including a statement on whether advantages or disadvantages prevail and what are the risks arising from this fact for the controlled entity.

Having reviewed the relations between the Company and the controlling entity and the entities controlled by the same controlling entity, the Board of Directors declares that the Company did not gain any advantages or suffer any disadvantages arising on the relations between the Company and the controlling entity and/or entities controlled by the same controlling entity. The Company incurred no loss that would require to be settled in accordance with Sections 71 and 72 of the Act on Business Corporations.

VI. The Board of Directors declares that it has collated and reviewed the information for the purpose of this report on relations with due diligence. The conclusions made were drawn upon a thorough review of collated available information, and the Board of Directors considers all information disclosed in this report on relations as true and complete.

Prague, 29 March 2018

Dušan Palcr
Vice-chairman of the Board of Directors
J&T FINANCE GROUP SE

Gabriela Lachoutová
Member of the Board of Directors
J&T FINANCE GROUP SE

Report of the Board of Directors of J&T FINANCE GROUP SE on business activities of the Company and the balance of its assets for the period

from 1 January 2017 to 31 December 2017

This report has been prepared by the Board of Directors of J&T FINANCE GROUP SE, with its registered office at Pobřežní 297/14, 186 00 Praha 8, ID: 275 92 502, registered in the Commercial Register maintained by the Metropolitan Court in Prague, section H, insert 1317 („the Company“), in accordance with Section 436 of Act No. 90/2012 Coll., on Commercial Companies and Cooperatives („The Act on Business Corporation”).

I. The composition of Company's statutory bodies in the period from 1 January 2017 to 31 December 2017 was as follows:

Board of Directors of the Company
Chairman of the Board of Directors: Jozef Tkáč
Vice-chairman of the Board of Directors: Patrik Tkáč
Vice-chairman of the Board of Directors: Ivan Jakabovič
Vice-chairman of the Board of Directors: Dušan Palcr
Member of the Board of Directors: Gabriela Lachoutová

Supervisory Board of the Company
Chairman of the Supervisory Board: Marta Tkáčová
Member of the Supervisory Board: Ivan Jakabovič
Member of the Supervisory Board: Jana Šuterová

II. Business activities of the Company and the balance of its assets

The nature of the Company's business activities has not changed compared to the previous accounting period. The Company administers its assets and enlarges its volume.

During the period from 1 January 2017 to 31 December 2017, the Company continued to hold and administer own assets, consisting of:

A) 100% share in the companies

- **J & T BANKA, a.s.,**
  ID: 471 15 378, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic, registered in the Commercial Register maintained by the Metropolitan Court in Prague, section B, insert 1731,
- **J&T Bank Switzerland Ltd. in liquidation,**
  ID: 471 15 378, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic, registered in the Commercial Register maintained by the Metropolitan Court in Prague, section B, insert 1731,
- **J&T Concierge, s.r.o.,**
  ID: 281 89 825, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic registered in the Commercial Register maintained by the Metropolitan Court in Prague, section C, insert 131691, (the company was dissolved by merger with J&T SERVICES ČR, a.s. as at 30 June 2017),
- **J&T INTEGRIS GROUP LIMITED,**
  ID: HE 207436, with its registered office at Kyriakou Matsi 11, NIKIS CENTER, 3rd Floor, office 301, Nicosia, Cyprus,
- **J&T Mezzanine, a.s.,**
  ID: 066 05 991, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic, registered in the Commercial Register maintained by the Metropolitan Court in Prague, section B, insert 23005, (the company was established on 15 November 2017),
- **J&T SERVICES ČR, a.s.,**
  ID: 281 68 305, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic, registered in the Commercial Register maintained by the Metropolitan Court in Prague, section B, insert 12445,

- **J&T Wine Holding SE,**
  ID: 063 77 149, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic, registered in the Commercial Register maintained by the Metropolitan Court in Prague, section H, insert 2007, (the company was established on 26 August 2017),
- **PBI, a.s.,**
  ID: 036 33 527, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic, registered in the Commercial Register maintained by the Metropolitan Court in Prague, section B, insert 20280, (100% share in the company was acquired on 11 December 2017),
- **Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.**
  ID: 034 51 488, with its registered office at Na příkopě 393/11, Staré Město, 110 00 Praha 1, Czech Republic, registered in the Commercial Register maintained by the Metropolitan Court in Prague, section B, insert 20065, (100% share in the company was acquired on 31 December 2017).

B) 64.46% share in the company:

- **Poštová banka, a.s.,**
  ID: 31 340 890, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic, registered in the Commercial Register maintained by the District Court in Bratislava I, section Sa, insert 501/B.

The Company has a long history as a strong and stable institution. As at 31 December 2017, the Company recorded assets of CZK 54.8 billion, equity of CZK 31.2 billion and the registered capital of CZK 15.8 billion. In the accounting period, the Company achieved profit of CZK 2.2 billion.

The balance of Company's assets and its financial position is disclosed in the financial statements as at 31 December 2017, which are attached as an independent appendix to the annual report. Detailed information on the balance of Company's assets is included in the financial section of the Company's annual report.

III. Major decisions of Company's bodies

As at 1 January 2016, the Group held share capital amounting to CZK 17,740,750,488. The Company's shareholders were Jozef Tkáč with a 45.57% share, Ivan Jakabovič with a 45.47% share, CEFC Shanghai International Group Limited with a 4.75% share and the CEFC Hainan International Holdings Co. Ltd with a 4.07% share.

Based on a decision of the general meeting held on 9 May 2016, the Company purchased its own shares totalling CZK 1,960,442,300 from shareholders Ivan Jakabovič and Jozef Tkáč on 1 December 2016, which resulted in a decrease in the registered capital from CZK 17,740,750,488 to CZK 15,780,308,188. The decrease was carried out based on a mutual agreement of the original shareholders and the CEFC group with the aim to optimise the shares of all Company shareholders.

The optimisation led to equal shares being held by Jozef Tkáč and Ivan Jakabovič, both amounting to 45.05%, a share of 5.00% CEFC for Shanghai International Group Limited's and a 4.90% share being held by CEFC Hainan International Holdings Co. Ltd.

On 18 March 2016, the Company issued subordinated unsecured certificates with no maturity date in the total volume of EUR 200 million. The entire issue was subscribed by CEFC Hainan International Holdings Co., Ltd. On 21 April 2016, the certificates were accepted by CNB as Tier 1 regulatory capital.

In March 2016, the Company's shareholders (Jozef Tkáč and Ivan Jakabovič) signed several contracts with the CEFC group, aimed at increasing the CEFC group's share in the Company and in controlled J&T FINANCE GROUP SE to 50%. The transaction was subject to relevant approvals from regulatory authorities in China as well as in the other countries where J&T FINANCE GROUP SE Group operates.

In September 2016, CEFC initiated first steps in the approval process relating to the intended acquisition of a 50% share in J&T FINANCE GROUP SE and submitted an approval application to the Slovak National Bank. Subsequently during 2016 and 2017, applications to the regulatory authorities in Croatia, Russia, Barbados and the Czech Republic were submitted.

In March 2018, the CEFC Group withdrew its application for an increase of its share in J&T FINANCE GROUP SE to 50% it had submitted to the Czech National Bank. This led to the suspension of the entry process to the Company.

During the period from 1 January 2017 to 31 December 2017, the Board of Directors and the Supervisory Board of the Company adopted necessary decisions relating to the ordinary business activities of the Company and the fulfilment of obligations arising to the members of Companies statutory bodies based on relevant regulations and Company's Statute.

Prague, 28 May 2018

Dušan Palcr
Vice-chairman of the Board of Directors
J&T FINANCE GROUP SE

Gabriela Lachoutová
Member of the Board of Directors
J&T FINANCE GROUP SE

J&T FINANCE GROUP SE
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